

_____ BILL NO. _____

INTRODUCED BY _____

(Primary Sponsor)

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING SCHOOL FINANCE LAWS BY EQUALIZING MILL LEVIES; ELIMINATING THE SPECIFIC COUNTY MILL LEVIES FOR TRANSPORTATION AND RETIREMENT; INCREASING THE MILL LEVIES FOR ELEMENTARY AND HIGH SCHOOL EQUALIZATION AID; PROVIDING FOR STATE REIMBURSEMENTS TO SCHOOL DISTRICTS FOR TRANSPORTATION COSTS AND THE EMPLOYER CONTRIBUTION FOR RETIREMENT; PROVIDING FOR A STATE ASSISTANCE PAYMENT FOR CERTAIN DISTRICTS; ELIMINATING SCHOOL DISTRICT BLOCK GRANTS AND CERTAIN GUARANTEED TAX BASE DISTRIBUTIONS; AMENDING SECTIONS 15-1-112, 15-24-1802, 15-24-1902, 15-24-2002, 17-3-213, 20-3-106, 20-3-205, 20-3-209, 20-3-324, 20-6-326, 20-6-702, 20-7-102, 20-9-104, 20-9-141, 20-9-212, 20-9-306, 20-9-308, 20-9-331, 20-9-332, 20-9-333, 20-9-335, 20-9-343, 20-9-344, 20-9-346, 20-9-347, 20-9-348, 20-9-351, 20-9-361, 20-9-366, 20-9-367, 20-9-369, 20-9-406, 20-9-501, 20-9-506, 20-9-515, 20-9-620, 20-10-104, 20-10-141, 20-10-142, 20-10-143, 20-10-144, 20-10-145, 20-10-147, 69-11-202, 90-6-309, AND 90-6-403, MCA; AND REPEALING SECTIONS 20-9-368, 20-9-630, AND 20-10-146, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-1-112, MCA, is amended to read:

"15-1-112. Business equipment tax rate reduction reimbursement to local government taxing jurisdictions. (1) ~~On or before January 1, 1996, for the reduction in payment under subsection (4) and by June 1 of 1996, 1997, and 1998 for all other reimbursements in this section, the~~ The department shall determine a reimbursement amount associated with reducing the tax rate in 15-6-138 and provide that information to each county treasurer. The reimbursement amount must be determined for each local government taxing jurisdiction that levied mills on the taxable value of property described in 15-6-138 in the corresponding tax year. However, the reimbursement does not apply to property described in 15-6-138 that has a reduced tax rate under 15-24-1402.

(2) (a) The reimbursement amount to be used as the basis for the payment reduction under subsection (4) is the product of multiplying the tax year 1995 taxable value of property described in 15-6-138 for each local government taxing jurisdiction by the tax year 1995 mill levy for the jurisdiction and then multiplying by 1/9th.

(b) (i) The reimbursement amount for each local government taxing jurisdiction for tax year 1996 is the amount determined under subsection (2)(a) unless the tax year 1996 market value of property described in 15-6-138, for the particular local government taxing jurisdiction, is more than the tax year 1995 market value for property described in 15-6-138 in the same jurisdiction.

(ii) If the tax year 1996 market value is greater than the tax year 1995 market value for a particular jurisdiction, then the reimbursement amount for tax year 1996 is the result of subtracting the simulated 1996 tax from the 1995 tax. The 1995 tax is the tax for the particular jurisdiction, determined by multiplying the actual taxable valuation of property described in 15-6-138, for tax year 1995, by the tax year 1995 mill levy for the jurisdiction. The simulated 1996 tax for the particular jurisdiction is the actual tax year 1996 taxable value of property described in 15-6-138 multiplied by the tax year 1995 mill levy for the particular jurisdiction. If the simulated 1996 tax is greater than the 1995 tax, the reimbursement amount is zero.

(c) (i) The reimbursement amount for each local government taxing jurisdiction for tax year 1997 is the amount determined under subsection (2)(a) multiplied by two unless the tax year 1997 market value of property described in 15-6-138, for the particular local government taxing jurisdiction, is more than the tax year 1995 market value for property described in 15-6-138 in the same jurisdiction.

(ii) If the tax year 1997 market value is greater than the tax year 1995 market value for a particular jurisdiction, then the reimbursement amount for tax year 1997 is the result of subtracting the simulated 1997 tax from the 1995 tax. The 1995 tax is the tax for the particular jurisdiction, determined by multiplying the actual taxable valuation of property described in 15-6-138, for tax year 1995, by the tax year 1995 mill levy for the jurisdiction. The simulated 1997 tax for the particular jurisdiction is the actual tax year 1997 taxable value of property described in 15-6-138 multiplied by the tax year 1995 mill levy for the particular jurisdiction. If the simulated 1997 tax is greater than the 1995 tax, the reimbursement amount is zero.

(d) (i) The reimbursement amount for each local government taxing jurisdiction for tax year 1998 is the amount determined under subsection (2)(a) multiplied by three unless the tax year 1998 market value of property described in 15-6-138, for the particular local government taxing jurisdiction, is more than the tax year 1995 market value for property described in 15-6-138 in the same jurisdiction.

(ii) If the tax year 1998 market value is greater than the tax year 1995 market value for a particular jurisdiction, then the reimbursement amount for tax year 1998 is the result of subtracting the simulated 1998 tax from the 1995 tax. The 1995 tax is the tax for the particular jurisdiction, determined by multiplying the actual taxable valuation of property described in 15-6-138, for tax year 1995, by the tax year 1995 mill levy for the

jurisdiction. The simulated 1998 tax for the particular jurisdiction is the actual tax year 1998 taxable value of property described in 15-6-138 multiplied by the tax year 1995 mill levy for the particular jurisdiction. If the simulated 1998 tax is greater than the 1995 tax, the reimbursement amount is zero.

(3) (a) For purposes of this section, "local government taxing jurisdiction" means a local government rather than a state taxing jurisdiction that levied mills against property described in 15-6-138, including county governments, incorporated city and town governments, consolidated county and city governments, tax increment financing districts, local elementary and high school districts, local community college districts, miscellaneous districts, and special districts. The term includes ~~countywide~~ mills levied for equalization of school retirement or transportation.

(b) The term does not include ~~county~~ or state school equalization levies provided for in 20-9-331, 20-9-333, 20-9-360, and 20-25-439.

(c) Each tax increment financing district must receive the benefit of the state mill on the incremental taxable value of the district.

(4) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360 in June of 1996 by an amount equal to 38% of the reimbursement amount determined under subsection (2)(a) for all of the local government taxing jurisdictions in the county.

(5) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360 in December of 1996 by an amount equal to 31% of the reimbursement amount for tax year 1996 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(6) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360 in June of 1997 by an amount equal to 31% of the reimbursement amount for tax year 1996 for all of the local government taxing jurisdictions in the county and by an amount equal to 38% of the reimbursement amount for tax year 1997 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(7) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360 in December of 1997 by an amount equal to 31% of the reimbursement amount for tax year 1997 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(8) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360 in June of 1998 by an amount equal to 31% of the reimbursement amount for tax year 1997 for all of the local government taxing jurisdictions in the county and by an amount equal to 38% of the reimbursement amount for

tax year 1998 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(9) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360 in December of 1998 by an amount equal to 31% of the reimbursement amount for tax year 1998 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(10) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360 in June of 1999 by an amount equal to 69% of the reimbursement amount for tax year 1998 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(11) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360 in December of the years 1999 through 2007 by an amount equal to 31% of the reimbursement amount determined in subsection (13) for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(12) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360 in June of the years 2000 through 2008 by an amount equal to 69% of the reimbursement amount determined in subsection (13) for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(13) (a) The reimbursement amount for tax year 1999 and each subsequent tax year for 9 years must be progressively reduced each year by 10% of the reimbursement amount for tax year 1998, according to the following schedule:

Tax Year	Percentage of 1998 Reimbursement Amount
1999	90
2000	80
2001	70
2002	60
2003	50
2004	40
2005	30
2006	20
2007	10

1 2008 and following years 0

2 (b) The reimbursement amount for each tax year must be the basis for reducing the amount remitted to
3 the state for the levy imposed under 20-9-360 in December of the same year and June of the following year.

4 (14) The county treasurer shall use the funds from the reduced payment to the state for the levy imposed
5 under 20-9-360 to reimburse each local government taxing jurisdiction in the amount determined by the
6 department under subsection (2). The reimbursement must be distributed to funds within local government taxing
7 jurisdictions in the same manner as taxes on property described in 15-6-138 are distributed. The reimbursement
8 in June must be distributed based on the prior year's mill levy, and the reimbursement in December must be
9 based on the current year's mill levy.

10 (15) Each local government taxing jurisdiction receiving reimbursements shall consider the amount of
11 reimbursement that will be received and lower the mill levy otherwise necessary to fund the budget by the amount
12 that would otherwise have to be raised by the mill levy.

13 (16) A local government taxing jurisdiction that ceases to exist after October 1, 1995, will no longer be
14 considered for revenue loss or reimbursement purposes. A local government taxing jurisdiction that is created
15 after January 1, 1996, will not be considered for revenue loss or reimbursement purposes. If a local government
16 taxing jurisdiction that existed prior to January of 1996 is split between two or more taxing jurisdictions or is
17 annexed to or is consolidated with another taxing jurisdiction, the department shall determine how much of the
18 revenue loss and reimbursement is attributed to the new jurisdictions."

19

20 **Section 2.** Section 15-24-1802, MCA, is amended to read:

21 **"15-24-1802. Business incubator tax exemption -- procedure.** (1) A business incubator owned or
22 leased and operated by a local economic development organization is eligible for an exemption from property
23 taxes as provided in this section.

24 (2) In order to qualify for the tax exemption described in this section, the governing body of the county,
25 consolidated government, incorporated city or town, or school district in which the property is located shall
26 approve the tax exemption by resolution, after due notice, as defined in 76-15-103, and hearing. The governing
27 body may approve or disapprove the tax exemption provided for in subsection (1). If a tax exemption is approved,
28 the governing body shall do so by a separate resolution for each business incubator in its respective jurisdiction.
29 The governing body may not grant approval for the business incubator until all of the applicant's taxes have been
30 paid in full or, if the property is leased to a business incubator, until all of the owner's property taxes on that

property have been paid in full. Taxes paid under protest do not preclude approval. Prior to holding the hearing, the governing body shall determine that the local economic development organization:

(a) is a private, nonprofit corporation as provided in Title 35, chapter 2, and is exempt from taxation under section 501(c)(3) or 501(c)(6) of the Internal Revenue Code;

(b) is engaged in economic development and business assistance work in the area; and

(c) owns or leases and operates or will operate the business incubator.

(3) Upon receipt of approval of the governing body of the affected taxing jurisdiction, the department shall make the assessment change for the tax exemption provided for in this section.

(4) The tax exemption described in subsection (1) applies only to the number of mills levied and assessed by the governing body approving the exemption over which the governing body has sole discretion. If the governing body of a county, consolidated government, or incorporated city or town approves the exemption, the exemption applies to levies and assessments required under Title 15, chapter 10, ~~20-9-331, or 20-9-333~~ or otherwise other nonschool levies or assessments required under state law.

(5) Property taxes abated from the reduction in property taxes allowed by this section are subject to recapture by the local governing body if the ownership or use of the property does not meet the requirements of 15-24-1801, this section, or the resolution required by subsection (2) of this section. The recapture is equal to the amount of taxes avoided, plus interest and penalties for nonpayment of property taxes provided in 15-16-102, during any period in which an abatement under the provisions of this section was in effect. The amount recaptured, including penalty and interest, must be distributed by the treasurer to funds and accounts subject to the abatement in the same ratio as the property tax was abated. A recapture of taxes abated by this section is not allowed with regard to property ceasing to qualify for the abatement by reason of an involuntary conversion. The recapture of abated taxes may be canceled, in whole or in part, if the local governing body determines that the taxpayer's failure to meet the requirements is a result of circumstances beyond the control of the taxpayer."

Section 3. Section 15-24-1902, MCA, is amended to read:

"15-24-1902. Industrial park tax exemption -- procedure -- termination. (1) An industrial park owned and operated by a local economic development organization or a port authority is eligible for an exemption from property taxes as provided in this section.

(2) In order to qualify for the tax exemption described in this section, the governing body of the county, consolidated government, incorporated city or town, or school district in which the property is located shall

1 approve the tax exemption by resolution, after due notice, as defined in 76-15-103, and hearing. The governing
2 body may approve or disapprove the tax exemption provided for in subsection (1). If a tax exemption is approved,
3 the governing body shall do so by a separate resolution for each industrial park in its respective jurisdiction. The
4 governing body may not grant approval for the industrial park until all of the applicant's taxes have been paid in
5 full. Taxes paid under protest do not preclude approval. Prior to holding the hearing, the governing body shall
6 determine that:

7 (a) the local economic development organization:

8 (i) is a private, nonprofit corporation as provided in Title 35, chapter 2, and is exempt from taxation under
9 section 501(c)(3) or 501(c)(6) of the Internal Revenue Code;

10 (ii) is engaged in economic development and business assistance work in the area; and

11 (iii) owns and operates or will own and operate the industrial development park; or

12 (b) the port authority legally exists under the provisions of 7-14-1101 or 7-14-1102.

13 (3) Upon receipt of approval of the governing body of the affected taxing jurisdiction, the department shall
14 make the assessment change for the tax exemption provided for in this section.

15 (4) The tax exemption described in subsection (1) applies only to the number of mills levied and
16 assessed by the governing body approving the exemption over which the governing body has sole discretion.
17 If the governing body of a county, consolidated government, or incorporated city or town approves the exemption,
18 the exemption applies to levies or assessments required under Title 15, chapter 10, ~~20-9-331, or 20-9-333~~ or
19 otherwise other nonschool levies or assessments required under state law.

20 (5) If a local economic development organization sells, leases, or otherwise disposes of the exempt
21 property to a purchaser or lessee that is not a local economic development organization or a unit of federal, state,
22 or local government, the tax exemption provided in this section terminates. The termination of the exemption
23 applies January 1 of the taxable year immediately following the sale, lease, or other disposition of the property.
24 Upon termination of the exemption, the property must be assessed as provided in 15-16-203.

25 (6) Property taxes abated from the reduction in property taxes allowed by this section are subject to
26 recapture by the local governing body if the ownership or use of the property does not meet the requirements of
27 15-24-1901, this section, or the resolution required by subsection (2) of this section. The recapture is equal to
28 the amount of taxes avoided, plus interest and penalties for nonpayment of property taxes provided in 15-16-102,
29 during any period in which an abatement under the provisions of this section was in effect. The amount
30 recaptured, including penalty and interest, must be distributed by the treasurer to funds and accounts subject to

1 the abatement in the same ratio as the property tax was abated. A recapture of taxes abated by this section is
2 not allowed with regard to property ceasing to qualify for the abatement by reason of an involuntary conversion.
3 The recapture of abated taxes may be canceled, in whole or in part, if the local governing body determines that
4 the taxpayer's failure to meet the requirements is a result of circumstances beyond the control of the taxpayer."

5
6 **Section 4.** Section 15-24-2002, MCA, is amended to read:

7 **"15-24-2002. Building and land tax exemption -- procedure -- termination.** (1) A building and land
8 owned by a local economic development organization that the local economic development organization intends
9 to sell or lease to a profit-oriented, employment-stimulating business are eligible for an exemption from property
10 taxes as provided in this section.

11 (2) In order to qualify for the tax exemption described in this section, the governing body of the affected
12 county, consolidated government, incorporated city or town, or school district in which the building and land are
13 located shall approve the tax exemption by resolution, after due notice, as defined in 76-15-103, and hearing. The
14 governing body may approve or disapprove the tax exemption provided for in subsection (1). The governing body
15 shall approve a tax exemption by a separate resolution. The governing body may not grant approval for the
16 building and land until all of the applicant's taxes have been paid in full. Taxes paid under protest do not preclude
17 approval. Prior to holding the hearing, the governing body shall determine that the local economic development
18 organization:

19 (a) is a private, nonprofit corporation, as provided in Title 35, chapter 2, and is exempt from taxation
20 under section 501(c)(3) or 501(c)(6) of the Internal Revenue Code;

21 (b) is engaged in economic development and business assistance work in the area; and

22 (c) owns or will own the building and land.

23 (3) Upon receipt of approval of the governing body of the affected taxing jurisdiction, the department shall
24 make the assessment change for the tax exemption provided for in this section.

25 (4) The tax exemption described in subsection (1) applies only to the number of mills levied and
26 assessed by the governing body approving the exemption over which the governing body has sole discretion.
27 If the governing body of a county, consolidated government, or incorporated city or town approves the exemption,
28 the exemption applies to levies or assessments required under Title 15, chapter 10, ~~20-9-331, or 20-9-333~~ and
29 other nonschool levies or assessments required under state law.

30 (5) When a local economic development organization sells, leases, or otherwise disposes of the exempt

property to a purchaser or lessee that is not a local economic development organization or a unit of federal, state, or local government, the tax exemption provided in this section terminates. The termination of the exemption applies January 1 of the taxable year immediately following the sale, lease, or other disposition of the property. Upon termination of the exemption, the property must be assessed as provided in 15-16-203.

(6) Property taxes abated from the reduction in property taxes allowed by this section are subject to recapture by the local governing body if the ownership or use of the property does not meet the requirements of this section or the resolution required by subsection (2). The recapture is equal to the amount of taxes avoided, plus interest and penalties for nonpayment of property taxes provided in 15-16-102, during any period in which an abatement under the provisions of this section was in effect. The amount recaptured, including penalty and interest, must be distributed by the treasurer to funds and accounts subject to the abatement in the same ratio as the property tax was abated. A recapture of taxes abated by this section is not allowed with regard to property ceasing to qualify for the abatement by reason of an involuntary conversion. The recapture of abated taxes may be canceled, in whole or in part, if the local governing body determines that the taxpayer's failure to meet the requirements is a result of circumstances beyond the control of the taxpayer."

Section 5. Section 17-3-213, MCA, is amended to read:

"17-3-213. Allocation of forest reserve funds and other federal funds -- options provided in federal law. (1) The board of county commissioners in each county shall decide among payment options provided in subsections (2) through (4), as provided in Public Law 106-393, to determine how the forest reserve funds and Public Law 106-393 funds apportioned to each county must be distributed by the county treasurer pursuant to this section.

(2) If a board of county commissioners chooses to receive a payment that is 25% of the revenue derived from national forest system lands, as provided in 16 U.S.C. 500, all funds received must be distributed as provided in subsection (5).

(3) (a) Except as provided in subsection (4), if a county elects to receive the county's full payment under Public Law 106-393, a minimum of 80% up to a maximum of 85% of the county's full payment must be designated by the county for distribution as provided in subsection (5).

(b) The balance not distributed pursuant to subsection (3)(a) may be allocated by the county in accordance with Public Law 106-393.

(4) If a county's full payment is less than \$100,000, the county may elect to distribute up to 100% of the

1 payment as provided in subsection (5).

2 (5) The total amount designated by a county in accordance with subsection (3)(a) or (4) must be
3 distributed as follows:

4 (a) to the general road fund, 66 2/3% of the amount designated;

5 (b) to the following ~~countywide~~ school levies, 33 1/3% of the amount designated:

6 (i) ~~county~~ equalization for elementary schools provided for in 20-9-331;

7 (ii) ~~county~~ equalization for high schools provided for in 20-9-333;

8 (iii) the ~~county~~ transportation fund budget provided for in ~~20-10-146~~ 20-10-143; and

9 (iv) the elementary and high school district retirement fund obligations provided for in 20-9-501.

10 (6) The apportionment of money to the funds provided for under subsection (5)(b) must be made by the
11 county superintendent based on the proportion that the mill levy of each fund bears to the total number of mills
12 for all the funds. Whenever the total amount of money available for apportionment under subsection (5)(b) is
13 greater than the total requirements of a levy, the excess money and any interest income must be retained in a
14 separate reserve fund, to be reapportioned in the ensuing school fiscal year to the levies designated in subsection
15 (5)(b).

16 (7) In counties in which special road districts have been created according to law, the board of county
17 commissioners shall distribute a proportionate share of the 66 2/3% distributed under subsection (5)(b) for the
18 general road fund to the special road districts within the county based upon the percentage that the total area of
19 the road district bears to the total area of the entire county."

20
21 **Section 6.** Section 20-3-106, MCA, is amended to read:

22 **"20-3-106. Supervision of schools -- powers and duties.** The superintendent of public instruction has
23 the general supervision of the public schools and districts of the state and shall perform the following duties or
24 acts in implementing and enforcing the provisions of this title:

25 (1) resolve any controversy resulting from the proration of costs by a joint board of trustees under the
26 provisions of 20-3-362;

27 (2) issue, renew, or deny teacher certification and emergency authorizations of employment;

28 (3) negotiate reciprocal tuition agreements with other states in accordance with the provisions of
29 20-5-314;

30 (4) approve or disapprove the opening or reopening of a school in accordance with the provisions of

20-6-502, 20-6-503, 20-6-504, or 20-6-505;

(5) approve or disapprove school isolation within the limitations prescribed by 20-9-302;

(6) generally supervise the school budgeting procedures prescribed by law in accordance with the provisions of 20-9-102 and prescribe the school budget format in accordance with the provisions of 20-9-103 and 20-9-506;

(7) establish a system of communication for calculating joint district revenue in accordance with the provisions of 20-9-151;

(8) approve or disapprove the adoption of a district's budget amendment resolution under the conditions prescribed in 20-9-163 and adopt rules for an application for additional direct state aid for a budget amendment in accordance with the approval and disbursement provisions of 20-9-166;

(9) generally supervise the school financial administration provisions as prescribed by 20-9-201(2);

(10) prescribe and furnish the annual report forms to enable the districts to report to the county superintendent in accordance with the provisions of 20-9-213(6) and the annual report forms to enable the county superintendents to report to the superintendent of public instruction in accordance with the provisions of 20-3-209;

(11) approve, disapprove, or adjust an increase of the average number belonging (ANB) in accordance with the provisions of 20-9-313 and 20-9-314;

(12) distribute BASE aid and special education allowable cost payments in support of the BASE funding program in accordance with the provisions of 20-9-331, 20-9-333, 20-9-342, 20-9-346, and 20-9-347, ~~and 20-9-366 through 20-9-369;~~

(13) provide for the uniform and equal provision of transportation by performing the duties prescribed by the provisions of 20-10-112;

(14) request, accept, deposit, and expend federal money in accordance with the provisions of 20-9-603;

(15) authorize the use of federal money for the support of an interlocal cooperative agreement in accordance with the provisions of 20-9-703 and 20-9-704;

(16) prescribe the form and contents of and approve or disapprove interstate contracts in accordance with the provisions of 20-9-705;

(17) recommend standards of accreditation for all schools to the board of public education and evaluate compliance with the standards and recommend accreditation status of every school to the board of public education in accordance with the provisions of 20-7-101 and 20-7-102;

(18) collect and maintain a file of curriculum guides and assist schools with instructional programs in

1 accordance with the provisions of 20-7-113 and 20-7-114;

2 (19) establish and maintain a library of visual, aural, and other educational media in accordance with the
3 provisions of 20-7-201;

4 (20) license textbook dealers and initiate prosecution of textbook dealers violating the law in accordance
5 with the provisions of the textbooks part of this title;

6 (21) as the governing agent and executive officer of the state of Montana for K-12 career and
7 vocational/technical education, adopt the policies prescribed by and in accordance with the provisions of
8 20-7-301;

9 (22) supervise and coordinate the conduct of special education in the state in accordance with the
10 provisions of 20-7-403;

11 (23) administer the traffic education program in accordance with the provisions of 20-7-502;

12 (24) administer the school food services program in accordance with the provisions of 20-10-201 through
13 20-10-203;

14 (25) review school building plans and specifications in accordance with the provisions of 20-6-622;

15 (26) provide schools with information and technical assistance for compliance with the student
16 assessment rules provided for in 20-2-121 and collect and summarize the results of the student assessment for
17 the board of public education and the legislature;

18 (27) upon request and in compliance with confidentiality requirements of state and federal law, disclose
19 to interested parties all school district student assessment data for a test required by the board of public
20 education; and

21 ~~(28) administer the distribution of guaranteed tax base aid in accordance with 20-9-366 through 20-9-369;~~
22 ~~and~~

23 ~~(29)~~(28) perform any other duty prescribed from time to time by this title, any other act of the legislature,
24 or the policies of the board of public education."
25

26 **Section 7.** Section 20-3-205, MCA, is amended to read:

27 **"20-3-205. Powers and duties.** (1) The county superintendent has general supervision of the schools
28 of the county within the limitations prescribed by this title and shall perform the following duties or acts:

29 (a) determine, establish, and reestablish trustee nominating districts in accordance with the provisions
30 of 20-3-352, 20-3-353, and 20-3-354;

1 (b) administer and file the oaths of members of the boards of trustees of the districts in the county in
2 accordance with the provisions of 20-3-307;

3 (c) register the teacher or specialist certificates or emergency authorization of employment of any person
4 employed in the county as a teacher, specialist, principal, or district superintendent in accordance with the
5 provisions of 20-4-202;

6 (d) file a copy of the audit report for a district in accordance with the provisions of 20-9-203;

7 (e) classify districts in accordance with the provisions of 20-6-201 and 20-6-301;

8 (f) keep a transcript of the district boundaries of the county;

9 (g) fulfill all responsibilities assigned under the provisions of this title regulating the organization,
10 alteration, or abandonment of districts;

11 (h) act on any unification proposition and, if approved, establish additional trustee nominating districts
12 in accordance with 20-6-312 and 20-6-313;

13 (i) estimate the average number belonging (ANB) of an opening school in accordance with the provisions
14 of 20-6-502, 20-6-503, 20-6-504, or 20-6-506;

15 (j) process and, when required, act on school isolation applications in accordance with the provisions
16 of 20-9-302;

17 (k) complete the budgets, compute the budgeted revenue and tax levies, file final budgets and budget
18 amendments, and fulfill other responsibilities assigned under the provisions of this title regulating school
19 budgeting systems;

20 (l) submit an annual financial report to the superintendent of public instruction in accordance with the
21 provisions of 20-9-211;

22 (m) monthly, unless otherwise provided by law, order the county treasurer to apportion state money,
23 ~~county~~ school district money, and any other school money subject to apportionment in accordance with the
24 provisions of 20-9-212, 20-9-347, or 20-10-145, ~~or 20-10-146~~;

25 (n) act on any request to transfer average number belonging (ANB) in accordance with the provisions
26 of 20-9-313(1)(c);

27 (o) calculate the estimated budgeted general fund sources of revenue in accordance with the general
28 fund revenue provisions of the general fund part of this title;

29 (p) compute the revenue and compute the district and county levy requirements for each fund included
30 in each district's final budget and report the computations to the board of county commissioners in accordance

1 with the provisions of the general fund, transportation, bonds, and other school funds parts of this title;

2 (q) file and forward bus driver certifications, transportation contracts, and state transportation
3 reimbursement claims in accordance with the provisions of 20-10-103, 20-10-143, or 20-10-145;

4 (r) for districts that do not employ a district superintendent or principal, recommend library book and
5 textbook selections in accordance with the provisions of 20-7-204 or 20-7-602;

6 (s) notify the superintendent of public instruction of a textbook dealer's activities when required under
7 the provisions of 20-7-605 and otherwise comply with the textbook dealer provisions of this title;

8 (t) act on district requests to allocate federal money for indigent children for school food services in
9 accordance with the provisions of 20-10-205;

10 (u) perform any other duty prescribed from time to time by this title, any other act of the legislature, the
11 policies of the board of public education, the policies of the board of regents relating to community college
12 districts, or the rules of the superintendent of public instruction;

13 (v) administer the oath of office to trustees without the receipt of pay for administering the oath;

14 (w) keep a record of official acts, preserve all reports submitted to the superintendent under the
15 provisions of this title, preserve all books and instructional equipment or supplies, keep all documents applicable
16 to the administration of the office, and surrender all records, books, supplies, and equipment to the next
17 superintendent;

18 (x) within 90 days after the close of the school fiscal year, publish an annual report in the county
19 newspaper stating the following financial information for the school fiscal year just ended for each district of the
20 county:

21 (i) the total of the cash balances of all funds maintained by the district at the beginning of the year;

22 (ii) the total receipts that were realized in each fund maintained by the district;

23 (iii) the total expenditures that were made from each fund maintained by the district; and

24 (iv) the total of the cash balances of all funds maintained by the district at the end of the school fiscal
25 year; and

26 (y) hold meetings for the members of the trustees from time to time at which matters for the good of the
27 districts must be discussed.

28 (2) (a) When a district in one county annexes a district in another county, the county superintendent of
29 the county where the annexing district is located shall perform the duties required by this section.

30 (b) When two or more districts in more than one county consolidate, the duties required by this section

1 must be performed by the county superintendent designated in the same manner as other county officials in
2 20-9-202."

3
4 **Section 8.** Section 20-3-209, MCA, is amended to read:

5 **"20-3-209. Annual report.** The county superintendent of each county shall submit an annual report to
6 the superintendent of public instruction not later than the second Monday in September. The report must be
7 completed on the forms supplied by the superintendent of public instruction and must include:

- 8 (1) the final budget information for each district of the county, as prescribed by 20-9-134(1);
9 (2) the revenue amounts used to ~~establish the levy requirements for the county school fund supporting~~
10 ~~school district transportation schedules, as prescribed by 20-10-146~~ 20-10-145, and for ~~the county school funds~~
11 ~~supporting elementary and high school district retirement obligations, as prescribed by 20-9-501;~~
12 (3) the financial activities of each district of the county for the immediately preceding school fiscal year
13 as provided by the trustees' annual report to the county superintendent under the provisions of 20-9-213(6); and
14 (4) any other information that may be requested by the superintendent of public instruction that is within
15 the superintendent's authority prescribed by this title."

16
17 **Section 9.** Section 20-3-324, MCA, is amended to read:

18 **"20-3-324. Powers and duties.** As prescribed elsewhere in this title, the trustees of each district shall:
19 (1) employ or dismiss a teacher, principal, or other assistant upon the recommendation of the district
20 superintendent, the county high school principal, or other principal as the board considers necessary, accepting
21 or rejecting any recommendation as the trustees in their sole discretion determine, in accordance with the
22 provisions of Title 20, chapter 4;

23 (2) employ and dismiss administrative personnel, clerks, secretaries, teacher's aides, custodians,
24 maintenance personnel, school bus drivers, food service personnel, nurses, and any other personnel considered
25 necessary to carry out the various services of the district;

26 (3) administer the attendance and tuition provisions and govern the pupils of the district in accordance
27 with the provisions of the pupils chapter of this title;

28 (4) call, conduct, and certify the elections of the district in accordance with the provisions of the school
29 elections chapter of this title;

30 (5) participate in the teachers' retirement system of the state of Montana in accordance with the

1 provisions of the teachers' retirement system chapter of Title 19;

2 (6) participate in district boundary change actions in accordance with the provisions of the school districts
3 chapter of this title;

4 (7) organize, open, close, or acquire isolation status for the schools of the district in accordance with the
5 provisions of the school organization part of this title;

6 (8) adopt and administer the annual budget or a budget amendment of the district in accordance with
7 the provisions of the school budget system part of this title;

8 (9) conduct the fiscal business of the district in accordance with the provisions of the school financial
9 administration part of this title;

10 (10) establish the ANB, ~~BASE budget levy~~, over-BASE budget levy, additional levy, operating reserve,
11 and state impact aid amounts for the general fund of the district in accordance with the provisions of the general
12 fund part of this title;

13 (11) establish, maintain, budget, and finance the transportation program of the district in accordance with
14 the provisions of the transportation parts of this title;

15 (12) issue, refund, sell, budget, and redeem the bonds of the district in accordance with the provisions
16 of the bonds parts of this title;

17 (13) when applicable, establish, financially administer, and budget for the tuition fund, retirement fund,
18 building reserve fund, adult education fund, nonoperating fund, school food services fund, miscellaneous
19 programs fund, building fund, lease or rental agreement fund, traffic education fund, impact aid fund, interlocal
20 cooperative fund, and other funds as authorized by the state superintendent of public instruction in accordance
21 with the provisions of the other school funds parts of this title;

22 (14) when applicable, administer any interlocal cooperative agreement, gifts, legacies, or devises in
23 accordance with the provisions of the miscellaneous financial parts of this title;

24 (15) hold in trust, acquire, and dispose of the real and personal property of the district in accordance with
25 the provisions of the school sites and facilities part of this title;

26 (16) operate the schools of the district in accordance with the provisions of the school calendar part of
27 this title;

28 (17) set the length of the school term, school day, and school week in accordance with 20-1-302;

29 (18) establish and maintain the instructional services of the schools of the district in accordance with the
30 provisions of the instructional services, textbooks, K-12 career and vocational/technical education, and special

1 education parts of this title;

2 (19) establish and maintain the school food services of the district in accordance with the provisions of
3 the school food services parts of this title;

4 (20) make reports from time to time as the county superintendent, superintendent of public instruction,
5 and board of public education may require;

6 (21) retain, when considered advisable, a physician or registered nurse to inspect the sanitary conditions
7 of the school or the general health conditions of each pupil and, upon request, make available to any parent or
8 guardian any medical reports or health records maintained by the district pertaining to the child;

9 (22) for each member of the trustees, visit each school of the district not less than once each school fiscal
10 year to examine its management, conditions, and needs, except that trustees from a first-class school district may
11 share the responsibility for visiting each school in the district;

12 (23) procure and display outside daily in suitable weather on school days at each school of the district
13 an American flag that measures not less than 4 feet by 6 feet;

14 (24) provide that an American flag that measures approximately 12 inches by 18 inches be prominently
15 displayed in each classroom in each school of the district, except in a classroom in which the flag may get soiled.
16 This requirement is waived if the flags are not provided by a local civic group.

17 (25) adopt and administer a district policy on assessment for placement of any child who enrolls in a
18 school of the district from a nonpublic school that is not accredited, as required in 20-5-110;

19 (26) upon request and in compliance with confidentiality requirements of state and federal law, disclose
20 to interested parties school district student assessment data for any test required by the board of public
21 education;

22 (27) consider and may enter into an interlocal agreement with a postsecondary institution, as defined in
23 20-9-706, that authorizes 11th and 12th grade students to obtain credits through classes available only at a
24 postsecondary institution;

25 (28) approve or disapprove the conduct of school on a Saturday in accordance with the provisions of
26 20-1-303;

27 (29) consider and, if advisable for a high school or K-12 district, establish a student financial institution,
28 as defined in 32-1-115; and

29 (30) perform any other duty and enforce any other requirements for the government of the schools
30 prescribed by this title, the policies of the board of public education, or the rules of the superintendent of public

1 instruction."

2
3 **Section 10.** Section 20-6-326, MCA, is amended to read:

4 **"20-6-326. Procedure for creation of high school district solely for expansion into K-12 school**
5 **district -- trustee resolution.** (1) An existing elementary district may create a high school district solely for the
6 purpose of expanding an elementary district into a K-12 district only if:

7 (a) the nearest elementary school building is located at a distance of at least 40 miles from the nearest
8 accessible high school;

9 (b) the trip from the nearest elementary school building to the nearest accessible high school is 60
10 minutes or more over the shortest passable route;

11 (c) periodically during the school year, the condition of the road makes it impractical to attend the nearest
12 accessible high school; and

13 (d) at least 50 high school students reside in the elementary district; and

14 (e) the taxable valuation and boundaries of the combining elementary and high school district are the
15 same.

16 (2) The creation of a new high school district may be requested by the trustees of an existing elementary
17 district through passage of a resolution that includes the information outlined in 20-6-105(3) and requests the
18 county superintendent to order an election to allow the electors of the elementary district to consider the
19 proposition to create a high school district solely for the purpose of expanding the elementary school district into
20 a K-12 district. Approval of the proposition results in a tax levy for payments as provided in subsection (6)(b).

21 (3) If the proposition for the expansion and the transition levy provided for in 20-9-502(6) is approved
22 by the electors of the elementary district and the trustees issue a certificate of election as provided in 20-20-416,
23 the county superintendent shall order the creation of the high school district and oversee the expansion of the
24 high school district into a K-12 district pursuant to 20-6-701.

25 (4) The county superintendent shall send a copy of the order to the board of county commissioners and
26 to the trustees of the districts affected by the creation of the district.

27 (5) If a new district is created, the effective date of its creation is the following July 1. The trustees of the
28 elementary district must be designated as the trustees of the new K-12 district.

29 (6) Until the first school fiscal year in which the new K-12 district enrolls high school students in all
30 grades, the existing high school district shall provide high school instruction to students residing in the newly

created K-12 district with the K-12 district paying the existing high school district:

~~———(a) tuition and transportation charged pursuant to the provisions of 20-5-320 and 20-5-321; and~~

~~———(b) an amount equal to the BASE general fund mills for the existing high school district assessed against the taxable valuation in the new K-12 district and funded using a building reserve fund levy for transition costs as provided in 20-9-502. The payment to the existing high school district must be deposited in the district general fund and used to reduce the BASE budget levy.~~

(7) If bonded indebtedness has been approved by the voters of the existing high school district prior to April 12, 2007, but the bonds have not been sold prior to the creation of the new K-12 district, then the future indebtedness of those bonds when those bonds are sold must be paid by levies on the original territory.

(8) If the K-12 school district does not open and operate a high school within 3 years after the effective date of the creation of the new district, the order of the county superintendent creating a new district under this section is void, the new district ceases to exist, and the trustees of the new district have no capacity to act. Those trustees retain authority as trustees of the elementary district."

Section 11. Section 20-6-702, MCA, is amended to read:

"20-6-702. Funding for K-12 school districts. (1) Notwithstanding the provisions of subsections (2) through (6), a K-12 school district formed under the provisions of 20-6-701 is subject to the provisions of law for high school districts.

(2) The number of elected trustees of the K-12 school district must be based on the classification of the attached elementary district under the provisions of 20-3-341 and 20-3-351.

(3) Calculations for the following must be made separately for the elementary school program and the high school program of a K-12 school district:

(a) the calculation of ANB for purposes of determining the total per-ANB entitlements must be in accordance with the provisions of 20-9-311; and

(b) the ~~basic county~~ tax for elementary equalization and revenue for the elementary BASE funding program for the district must be determined in accordance with the provisions of 20-9-331, and the ~~basic county~~ tax for high school equalization and revenue for the high school BASE funding program for the district must be determined in accordance with 20-9-333; and

~~———(c) the guaranteed tax base aid for BASE funding program purposes for a K-12 school district must be calculated separately, using each district's guaranteed tax base ratio, as defined in 20-9-366. The BASE budget~~

levy to be levied for the K-12 school district must be prorated based on the ratio of the BASE funding program amounts for elementary school programs to the BASE funding program amounts for high school programs.

(4) The retirement obligation and eligibility for retirement guaranteed tax base aid for a K-12 school district must be calculated and funded as a high school district retirement obligation under the provisions of 20-9-501.

(5) For the purposes of budgeting for a K-12 school district, the trustees shall adopt a single fund for any of the budgeted or nonbudgeted funds described in 20-9-201 for the costs of operating all grades and programs of the district.

(6) Tuition for attendance in the K-12 school district must be determined separately for high school pupils and for elementary pupils under the provisions of 20-5-320 through 20-5-324, except that the actual expenditures used for calculations in 20-5-323 must be based on an amount prorated between the elementary and high school programs in the appropriate funds of each district in the year prior to the attachment of the districts."

Section 12. Section 20-7-102, MCA, is amended to read:

"20-7-102. Accreditation of schools. (1) The conditions under which each elementary school, each middle school, each junior high school, 7th and 8th grades funded at high school rates, and each high school operates must be reviewed by the superintendent of public instruction to determine compliance with the standards of accreditation. The accreditation status of each school must then be established by the board of public education upon the recommendation of the superintendent of public instruction. Notification of the accreditation status for the applicable school year or years must be given to each district by the superintendent of public instruction.

(2) A school may be accredited for a period consisting of 1, 2, 3, 4, or 5 school years, except that multiyear accreditation may be granted only to schools that are in compliance with 20-4-101.

(3) A nonpublic school may, through its governing body, request that the board of public education accredit the school. Nonpublic schools may be accredited in the same manner as provided in subsection (1).

(4) As used in this section, "7th and 8th grades funded at high school rates" means an elementary school district or K-12 district elementary program whose 7th and 8th grades are funded as provided in ~~20-9-306(14)(c)(iii)~~ 20-9-306(13)(c)(ii)."

Section 13. Section 20-9-104, MCA, is amended to read:

1 **"20-9-104. General fund operating reserve.** (1) At the end of each school fiscal year, the trustees of
2 each district shall designate the portion of the general fund end-of-the-year fund balance that is to be earmarked
3 as operating reserve for the purpose of paying general fund warrants issued by the district from July 1 to
4 November 30 of the ensuing school fiscal year. Except as provided in subsections (5) and (6), the amount of the
5 general fund balance that is earmarked as operating reserve may not exceed 10% of the final general fund
6 budget for the ensuing school fiscal year.

7 (2) The amount held as operating reserve may not be used for property tax reduction in the manner
8 permitted by 20-9-141(1)(b) for other receipts.

9 (3) Excess reserves as provided in subsection (5) may be appropriated to reduce the BASE budget levy;
10 the over-BASE budget levy; or the additional levy provided by 20-9-353.

11 (4) Any portion of the general fund end-of-the-year fund balance that is not reserved under subsection
12 (2) or reappropriated under subsection (3) is fund balance reappropriated and must be used for property tax
13 reduction as provided in 20-9-141(1)(b).

14 (5) The limitation of subsection (1) does not apply when the amount in excess of the limitation is equal
15 to or less than the unused balance of any amount:

16 (a) received in settlement of tax payments protested in a prior school fiscal year;

17 (b) received in taxes from a prior school fiscal year as a result of a tax audit by the department of
18 revenue or its agents; or

19 (c) received in delinquent taxes from a prior school fiscal year.

20 (6) The limitation of subsection (1) does not apply when the amount earmarked as operating reserve is
21 \$10,000 or less."

22
23 **Section 14.** Section 20-9-141, MCA, is amended to read:

24 **"20-9-141. Computation of general fund net levy requirement by county superintendent.** (1) The
25 county superintendent shall compute the levy requirement for each district's general fund on the basis of the
26 following procedure:

27 (a) Determine the funding required for the district's final general fund budget less the sum of direct state
28 aid and the special education allowable cost payment for the district by totaling:

29 ~~— (i) the district's nonisolated school BASE budget requirement to be met by a district levy as provided in~~
30 ~~20-9-303; and~~

1 ~~———~~(ii) considering any general fund budget amount adopted by the trustees of the district under the
2 provisions of 20-9-308 and 20-9-353.

3 (b) Determine the money available for the reduction of the property tax on the district for the general fund
4 by totaling:

5 (i) the general fund balance reappropriated, as established under the provisions of 20-9-104;

6 (ii) amounts received in the last fiscal year for which revenue reporting was required for each of the
7 following:

8 (A) interest earned by the investment of general fund cash in accordance with the provisions of
9 20-9-213(4); and

10 (B) any other revenue received during the school fiscal year that may be used to finance the general
11 fund; ~~excluding any guaranteed tax base aid;~~

12 (iii) anticipated oil and natural gas production taxes; and

13 (iv) pursuant to subsection (4), anticipated revenue from coal gross proceeds under 15-23-703; ~~and~~

14 ~~———~~(v) ~~school district block grants distributed under 20-9-630.~~

15 (c) Notwithstanding the provisions of subsection (2), subtract the money available to reduce the property
16 tax required to finance the general fund that has been determined in subsection (1)(b) from any general fund
17 budget amount adopted by the trustees of the district; ~~up to the BASE budget amount,~~ to determine the general
18 fund ~~BASE budget~~ levy requirement.

19 (d) Determine the sum of any amount remaining after the determination in subsection (1)(c) and any
20 tuition payments for out-of-district pupils to be received under the provisions of 20-5-320 through 20-5-324, except
21 the amount of tuition received for a pupil who is a child with a disability in excess of the amount received for a
22 pupil without disabilities, as calculated under 20-5-323(2).

23 (e) Subtract the amount determined in subsection (1)(d) from any additional funding requirement to be
24 met by an over-BASE budget amount, a district levy as provided in 20-9-303, and any additional financing as
25 provided in 20-9-353 to determine any additional general fund levy requirements.

26 (2) The county superintendent shall calculate the number of mills to be levied on the taxable property
27 in the district to finance the general fund levy requirement ~~for any amount that does not exceed the BASE budget~~
28 ~~amount~~ for the district by dividing the amount determined in subsection (1)(c) by the sum quotient of:

29 ~~———~~(a) ~~the amount of guaranteed tax base aid that the district will receive for each mill levied, as certified~~
30 ~~by the superintendent of public instruction; and~~

1 ~~——(b) the current total taxable valuation of the district, as certified by the department of revenue under~~
2 15-10-202, divided by 1,000.

3 (3) The net general fund levy requirement determined in subsections (1)(c) and (1)(d) must be reported
4 to the county commissioners on the fourth Monday of August by the county superintendent as the general fund
5 net levy requirement for the district, and a levy must be set by the county commissioners in accordance with
6 20-9-142.

7 (4) For each school district, the department of revenue shall calculate and report to the county
8 superintendent the amount of revenue anticipated for the ensuing fiscal year from revenue from coal gross
9 proceeds under 15-23-703."

10
11 **Section 15.** Section 20-9-212, MCA, is amended to read:

12 **"20-9-212. Duties of county treasurer.** The county treasurer of each county:

13 (1) must receive and shall hold all school money subject to apportionment and keep a separate
14 accounting of its apportionment to the several districts that are entitled to a portion of the money according to the
15 apportionments ordered by the county superintendent or by the superintendent of public instruction. A separate
16 accounting must be maintained for each county fund supported by a countywide levy for a specific, authorized
17 purpose, including:

18 ~~——(a) the basic county tax for elementary equalization;~~

19 ~~——(b) the basic county tax for high school equalization;~~

20 ~~——(c) the county tax in support of the transportation schedules;~~

21 ~~——(d) the county tax in support of the elementary and high school district retirement obligations; and~~

22 ~~——(e) any other county tax for schools, including the community colleges, that may be authorized by law~~
23 and levied by the county commissioners.

24 (2) whenever requested, shall notify the county superintendent and the superintendent of public
25 instruction of the amount of county school money on deposit in each of the funds ~~enumerated~~ described in
26 subsection (1) and the amount of any other school money subject to apportionment and apportion the county and
27 other school money to the districts in accordance with the apportionment ordered by the county superintendent
28 or the superintendent of public instruction;

29 (3) shall keep a separate accounting of the receipts, expenditures, and cash balances for each fund;

30 (4) except as otherwise limited by law, shall pay all warrants properly drawn on the county or district

1 school money;

2 (5) must receive all revenue collected by and for each district and shall deposit these receipts in the fund
3 designated by law or by the district if a fund is not designated by law. Interest and penalties on delinquent school
4 taxes must be credited to the same fund and district for which the original taxes were levied.

5 (6) shall send all revenue received for a joint district, part of which is situated in the county, to the county
6 treasurer designated as the custodian of the revenue, no later than December 15 of each year and every 3
7 months after that date until the end of the school fiscal year;

8 (7) at the direction of the trustees of a district, shall assist the district in the issuance and sale of tax and
9 revenue anticipation notes as provided in Title 7, chapter 6, part 11;

10 (8) shall register district warrants drawn on a budgeted fund in accordance with 7-6-2604 when there
11 is insufficient money available in all funds of the district to make payment of the warrant. Redemption of registered
12 warrants must be made in accordance with 7-6-2116, 7-6-2605, and 7-6-2606.

13 (9) when directed by the trustees of a district, shall invest the money of the district within 3 working days
14 of the direction;

15 (10) each month, shall give to the trustees of each district an itemized report for each fund maintained
16 by the district, showing the paid warrants, registered warrants, interest distribution, amounts and types of revenue
17 received, and the cash balance;

18 (11) shall remit promptly to the department of revenue receipts for the county tax for a
19 vocational-technical program within a unit of the university system when levied by the board of county
20 commissioners under the provisions of 20-25-439;

21 ~~(12) shall invest the money received from the basic county taxes for elementary and high school~~
22 ~~equalization, the county levy in support of the elementary and high school district retirement obligations, and the~~
23 ~~county levy in support of the transportation schedules within 3 working days of receipt. The money must be~~
24 ~~invested until the working day before it is required to be distributed to school districts within the county or remitted~~
25 ~~to the state. Clerks of a school district shall provide a minimum of 30 hours' notice in advance of cash demands~~
26 ~~to meet payrolls, claims, and electronic transfers that are in excess of \$50,000, pursuant to 20-3-325. If a clerk~~
27 ~~of a district fails to provide the required 30-hour notice, the county treasurer shall assess a fee equal to any~~
28 ~~charges demanded by the state investment pool or other permissible investment manager for improperly noticed~~
29 ~~withdrawal of funds. Permissible investments are specified in 20-9-213(4). All investment income must be~~
30 ~~deposited, and credited proportionately, in the funds established to account for the taxes received for the~~

purposes specified in subsections (1)(a) through (1)(d):

~~(13)(12)~~ shall remit ~~on a monthly basis~~ to the department of revenue, as provided in 15-1-504, all county equalization revenue received under the provisions of 20-9-331 and 20-9-333, ~~including all interest earned, in repayment of the state advance for county equalization prescribed in 20-9-347. Any funds in excess of a state advance must be used as required in 20-9-331(1)(c) and 20-9-333(1)(c):"~~

Section 16. Section 20-9-306, MCA, is amended to read:

"20-9-306. Definitions. As used in this title, unless the context clearly indicates otherwise, the following definitions apply:

(1) "BASE" means base amount for school equity.

(2) "BASE aid" means:

~~—— (a) direct state aid and state equalization aid for 44.7% of the basic entitlement and 44.7% of the total per-ANB entitlement for the general fund budget of a district;~~

~~—— (b) guaranteed tax base aid for an eligible district for any amount up to 35.3% of the basic entitlement, up to 35.3% of the total per-ANB entitlement budgeted in the general fund budget of a district, and 40% of the special education allowable cost payment; the BASE budget, including:~~

~~(e)(a)~~ the total quality educator payment;

~~(d)(b)~~ the total at-risk student payment;

~~(e)(c)~~ the total Indian education for all payment; and

~~(f)(d)~~ the total American Indian achievement gap payment.

(3) "BASE budget" means the minimum general fund budget of a district, which includes 80% of the basic entitlement, 80% of the total per-ANB entitlement, 100% of the total quality educator payment, 100% of the total at-risk student payment, 100% of the total Indian education for all payment, 100% of the total American Indian achievement gap payment, and 140% of the special education allowable cost payment.

~~(4) "BASE budget levy" means the district levy in support of the BASE budget of a district, which may be supplemented by guaranteed tax base aid if the district is eligible under the provisions of 20-9-366 through 20-9-369.~~

~~(5)(4)~~ "BASE funding program" means the state program for the equitable distribution of the state's share of the cost of Montana's basic system of public elementary schools and high schools, through county elementary and high school equalization aid as provided in 20-9-331 and 20-9-333 and state equalization aid as provided

in 20-9-343, in support of the BASE budgets of districts and special education allowable cost payments as provided in 20-9-321.

~~(6)~~(5) "Basic entitlement" means:

(a) for each high school district,±

~~—— (i) \$236,552 for fiscal year 2008; and~~

~~—— (ii) \$243,649 for each succeeding fiscal year;~~

(b) for each elementary school district or K-12 district elementary program without an approved and accredited junior high school, 7th and 8th grade program, or middle school,±

~~—— (i) \$21,290 for fiscal year 2008;~~

~~—— (ii) \$21,922 for each succeeding fiscal year; and~~

(c) for each elementary school district or K-12 district elementary program with an approved and accredited junior high school, 7th and 8th grade program, or middle school:

(i) for kindergarten through grade 6 elementary program,±

~~—— (A) \$21,290 for fiscal year 2008; and~~

~~—— (B) \$21,922 for each succeeding fiscal year; plus~~

(ii) for an approved and accredited junior high school program, 7th and 8th grade program, or middle school,±

~~—— (A) \$60,275 for fiscal year 2008; and~~

~~—— (B) \$62,083 for each succeeding fiscal year.~~

~~(7)~~(6) "Budget unit" means the unit for which the ANB of a district is calculated separately pursuant to 20-9-311.

~~(8)~~(7) "Direct state aid" means 44.7% of the basic entitlement and 44.7% of the total per-ANB entitlement for the general fund budget of a district and funded with state ~~and county~~ equalization aid.

~~(9)~~(8) "Maximum general fund budget" means a district's general fund budget amount calculated from the basic entitlement for the district, the total per-ANB entitlement for the district, the total quality educator payment, the total at-risk student payment, the total Indian education for all payment, the total American Indian achievement gap payment, and the greater of:

(a) 175% of special education allowable cost payments; or

(b) the ratio, expressed as a percentage, of the district's special education allowable cost expenditures to the district's special education allowable cost payment for the fiscal year that is 2 years previous, with a

1 maximum allowable ratio of 200%.

2 ~~(10)~~(9) "Over-BASE budget levy" means the district levy in support of any general fund amount budgeted
3 that is above the BASE budget and below the maximum general fund budget for a district.

4 ~~(11)~~(10) "Total American Indian achievement gap payment" means the payment resulting from multiplying
5 \$200 times the number of American Indian students enrolled in the district as provided in 20-9-330.

6 ~~(12)~~(11) "Total at-risk student payment" means the payment resulting from the distribution of any funds
7 appropriated for the purposes of 20-9-328.

8 ~~(13)~~(12) "Total Indian education for all payment" means the payment resulting from multiplying \$20.40
9 times the ANB of the district or \$100 for each district, whichever is greater, as provided for in 20-9-329.

10 ~~(14)~~(13) "Total per-ANB entitlement" means the district entitlement resulting from the following
11 calculations and using either the current year ANB or the 3-year ANB provided for in 20-9-311:

12 (a) for a high school district or a K-12 district high school program, a maximum rate of ~~\$5,861 for fiscal~~
13 ~~year 2008~~ and \$6,037 for each succeeding fiscal year for the first ANB, decreased at the rate of 50 cents per ANB
14 for each additional ANB of the district up through 800 ANB, with each ANB in excess of 800 receiving the same
15 amount of entitlement as the 800th ANB;

16 (b) for an elementary school district or a K-12 district elementary program without an approved and
17 accredited junior high school, 7th and 8th grade program, or middle school, a maximum rate of ~~\$4,579 for fiscal~~
18 ~~year 2008~~ and \$4,716 for each succeeding fiscal year for the first ANB, decreased at the rate of 20 cents per ANB
19 for each additional ANB of the district up through 1,000 ANB, with each ANB in excess of 1,000 receiving the
20 same amount of entitlement as the 1,000th ANB; and

21 (c) for an elementary school district or a K-12 district elementary program with an approved and
22 accredited junior high school, 7th and 8th grade program, or middle school, the sum of:

23 (i) a maximum rate of ~~\$4,579 for fiscal year 2008~~ and \$4,716 for each succeeding fiscal year for the first
24 ANB for kindergarten through grade 6, decreased at the rate of 20 cents per ANB for each additional ANB up
25 through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th
26 ANB; and

27 (ii) a maximum rate of ~~\$5,861 for fiscal year 2008~~ and \$6,037 for each succeeding fiscal year for the first
28 ANB for grades 7 and 8, decreased at the rate of 50 cents per ANB for each additional ANB for grades 7 and 8
29 up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th
30 ANB.

(15)(14) "Total quality educator payment" means the payment resulting from multiplying ~~\$3,036~~ for fiscal year 2008 and \$3,042 for each succeeding fiscal year times the number of full-time equivalent educators as provided in 20-9-327."

Section 17. Section 20-9-308, MCA, is amended to read:

"20-9-308. BASE budgets and maximum general fund budgets. (1) (a) The trustees of a district shall adopt a general fund budget that is at least equal to the BASE budget established for the district. The trustees of a district may adopt a general fund budget up to the maximum general fund budget or the previous year's general fund budget, whichever is greater.

(b) For purposes of the budget limitation in subsection (1)(a), the trustees may add any increase in state funding for the general fund payments in 20-9-327 through 20-9-330 to the district's previous year's general fund budget.

(2) Whenever the trustees of a district propose to adopt a general fund budget that exceeds the BASE budget for the district and to increase the over-BASE budget levy to support the general fund budget, the trustees shall submit a proposition to the electors of the district, as provided in 20-9-353.

(3) The BASE budget for the district must be financed by the following sources of revenue:

(a) direct state aid and state equalization aid, as provided in 20-9-343, including any ~~guaranteed tax base aid~~ state assistance payment for which the district may be eligible, ~~as provided in 20-9-366 through 20-9-369;~~

(b) county elementary and high school equalization aid, as provided in 20-9-331 and 20-9-333;

(c) a district levy for support of a school not approved as an isolated school under the provisions of 20-9-302; and

(d) payments in support of special education programs under the provisions of 20-9-321;

~~—— (e) nonlevy revenue, as provided in 20-9-141; and~~

~~—— (f) a BASE budget levy on the taxable value of all property within the district.~~

(4) The over-BASE budget amount of a district must be financed by a levy on the taxable value of all property within the district or other revenue available to the district, as provided in 20-9-141."

Section 18. Section 20-9-331, MCA, is amended to read:

"20-9-331. ~~Basic county tax~~ Tax for elementary equalization and other revenue for county equalization of elementary BASE funding program. (1) ~~(a)~~ Subject to 15-10-420, the county commissioners

1 of each county shall levy an annual ~~basic county~~ tax of ~~33~~ 91.8 mills on the dollar of the taxable value of all
2 taxable property within the county, except for property subject to a tax or fee under 61-3-321(2) or (3), 61-3-529,
3 61-3-537, 61-3-562, 61-3-570, and 67-3-204, for the purposes of elementary equalization and state BASE funding
4 program support. The revenue collected from this levy must be apportioned to the support of the elementary
5 BASE funding programs of the school districts ~~in the county and~~ by transfer to the state general fund ~~in the~~
6 ~~following manner:~~

7 ~~(b) In order to determine the amount of revenue raised by this levy that is retained by the county, the sum~~
8 ~~of the estimated revenue identified in subsection (2) must be subtracted from the total of the BASE funding~~
9 ~~programs of all elementary districts of the county.~~

10 ~~———(c) If the basic levy and other revenue prescribed by this section produce~~ produces more revenue than
11 is required to repay a state advance for ~~county~~ equalization, the county treasurer shall remit the surplus funds
12 to the department of revenue, as provided in 15-1-504, for deposit to the state general fund immediately upon
13 occurrence of a surplus balance and each subsequent month, with any final remittance due no later than June
14 20 of the fiscal year for which the levy has been set.

15 (2) The revenue realized from the ~~county's portion of the~~ levy prescribed by this section and the revenue
16 from the following sources must be used for the equalization of the elementary BASE funding program of ~~the~~
17 ~~county~~ school districts as prescribed in 20-9-335; ~~and a~~ A separate accounting must be kept of the revenue by
18 the county treasurer in accordance with 20-9-212(1):

19 (a) the portion of the federal Taylor Grazing Act funds designated for the elementary ~~county~~ equalization
20 fund under the provisions of 17-3-222;

21 (b) the portion of the federal flood control act funds distributed to a county and designated for expenditure
22 for the benefit of the county common schools under the provisions of 17-3-232;

23 (c) all money paid into the county treasury as a result of fines for violations of law, except money paid
24 to a justice's court, and the use of which is not otherwise specified by law;

25 (d) any money remaining at the end of the immediately preceding school fiscal year in the county
26 treasurer's accounts for the various sources of revenue established or referred to in this section;

27 (e) any federal or state money distributed to the county as payment in lieu of property taxation, including
28 federal forest reserve funds allocated under the provisions of 17-3-213;

29 (f) gross proceeds taxes from coal under 15-23-703; and

30 (g) oil and natural gas production taxes."

1
2 **Section 19.** Section 20-9-332, MCA, is amended to read:

3 **"20-9-332. Fines and penalties proceeds for elementary county equalization.** All fines and penalties
4 collected under the provisions of this title, except those collected by a justice's court, must be paid into the
5 elementary ~~county~~ equalization fund as provided by 20-9-331(2)(c). In order to implement this section and any
6 other provision of law requiring the deposit of fines in the elementary ~~county~~ equalization fund, a report must be
7 made to the county superintendent of the county, at the close of each term, by the clerk of each district court,
8 reporting all fines imposed and collected during the term and indicating the type of violation and the date of
9 collection."

10
11 **Section 20.** Section 20-9-333, MCA, is amended to read:

12 **"20-9-333. ~~Basic county tax~~ Tax for high school equalization and other revenue for county**
13 **equalization of high school BASE funding program.** (1) ~~(a)~~ Subject to 15-10-420, the county commissioners
14 of each county shall levy an annual ~~basic county~~ tax of ~~22~~ 61.2 mills on the dollar of the taxable value of all
15 taxable property within the county, except for property subject to a tax or fee under 61-3-321(2) or (3), 61-3-529,
16 61-3-537, 61-3-562, 61-3-570, and 67-3-204, for the purposes of high school equalization and state BASE funding
17 program support. The revenue collected from this levy must be apportioned to the support of the BASE funding
18 programs of high school districts ~~in the county and by transfer~~ to the state general fund ~~in the following manner:~~

19 ~~—— (b) In order to determine the amount of revenue raised by this levy that is retained by the county, the sum~~
20 ~~of the estimated revenue identified in subsection (2) must be subtracted from the sum of the county's high school~~
21 ~~tuition obligation and the total of the BASE funding programs of all high school districts of the county.~~

22 ~~(c)~~ (e) If the ~~basic levy and~~ other revenue prescribed by this section ~~produce~~ produces more revenue than
23 is required to repay a state advance for ~~county~~ equalization, the county treasurer shall remit the surplus funds
24 to the department of revenue, as provided in 15-1-504, for deposit to the state general fund immediately upon
25 occurrence of a surplus balance and each subsequent month, with any final remittance due no later than June
26 20 of the fiscal year for which the levy has been set.

27 (2) The revenue realized from ~~the county's portion of~~ the levy prescribed in this section and the revenue
28 from the following sources must be used for the equalization of the high school BASE funding program of ~~the~~
29 ~~county~~ school districts as prescribed in 20-9-335; ~~and a.~~ A separate accounting must be kept of the revenue by
30 the county treasurer in accordance with 20-9-212(1):

(a) any money remaining at the end of the immediately preceding school fiscal year in the county treasurer's accounts for the various sources of revenue established in this section;

(b) any federal or state money distributed to the county as payment in lieu of property taxation, including federal forest reserve funds allocated under the provisions of 17-3-213;

(c) gross proceeds taxes from coal under 15-23-703; and

(d) oil and natural gas production taxes."

Section 21. Section 20-9-335, MCA, is amended to read:

"20-9-335. Formula for apportionment of county equalization money. (1) The superintendent of public instruction shall calculate the apportionment of revenue available in the elementary and high school county equalization funds in accordance with the following procedure:

(a) determine the percentage that the county equalization money available for the support of the elementary direct state aid of the districts in the county is of the total elementary direct state aid of all districts in the county;

(b) multiply the elementary direct state aid amount of each district by the percentage determined in subsection (1)(a) to determine the portion of the county equalization money available to each school district.

(2) The procedure in subsection (1) must also be applied for the high school direct state aid.

(3) Territory situated within a county may not be excluded from the calculations of the county equalization money under this section solely because the territory lies within the boundaries of a joint district. Cash balances to the credit of any district at the end of a school fiscal year may not be considered in the apportionment procedure prescribed in this section.

(4) The county equalization money reported under these procedures is the first source of revenue for financing the elementary and high school direct state aid payments."

Section 22. Section 20-9-343, MCA, is amended to read:

"20-9-343. Definition of and revenue for state equalization aid. (1) As used in this title, the term "state equalization aid" means revenue as required in this section for:

(a) distribution to the public schools for ~~guaranteed tax base aid~~, BASE aid, state reimbursement for school facilities, ~~and~~ grants for school technology purchases, retirement costs, and transportation costs; and

(b) negotiated payments authorized under 20-7-420(3) up to \$500,000 a biennium.

(2) The superintendent of public instruction may spend throughout the biennium funds appropriated for the purposes of ~~guaranteed tax base aid~~, BASE aid for the BASE funding program, state reimbursement for school facilities, negotiated payments authorized under 20-7-420(3), ~~and school technology purchases, retirement costs, and transportation costs.~~

~~(3) From July 1, 2001, through June 30, 2003, the following money must be paid into the guarantee account provided for in 20-9-622 for the public schools of the state as indicated:~~

~~—— (a) interest and income money described in 20-9-341 and 20-9-342; and~~

~~—— (b) investment income earned by investing interest and income money described in 20-9-341 and 20-9-342.~~

~~(4)(3) Beginning July 1, 2003, the~~ The following money must be paid into the guarantee account provided for in 20-9-622 for the public schools of the state as indicated:

(a) (i) subject to subsection ~~(4)(a)(ii)~~ (3)(a)(ii), interest and income money described in 20-9-341 and 20-9-342; and

(ii) an amount of money equal to the income money attributable to the difference between the average sale value of 18 million board feet and the total income produced from the annual timber harvest on common school trust lands during the fiscal year, which is statutorily appropriated, pursuant to 20-9-534, to be used for the purposes of 20-9-533;

(b) investment income earned by investing interest and income money described in 20-9-341 and 20-9-342."

Section 23. Section 20-9-344, MCA, is amended to read:

"20-9-344. Duties of board of public education for distribution of BASE aid. (1) The board of public education shall administer and distribute the BASE aid and state advances for ~~county~~ equalization in the manner and with the powers and duties provided by law. The board of public education:

(a) shall adopt policies for regulating the distribution of BASE aid and state advances for ~~county~~ equalization in accordance with the provisions of law;

(b) may require reports from the county superintendents, county treasurers, and trustees that it considers necessary; and

(c) shall order the superintendent of public instruction to distribute the BASE aid on the basis of each district's annual entitlement to the aid as established by the superintendent of public instruction. In ordering the

1 distribution of BASE aid, the board of public education may not increase or decrease the BASE aid distribution
 2 to any district on account of any difference that may occur during the school fiscal year between budgeted and
 3 actual receipts from any other source of school revenue.

4 (2) The board of public education may order the superintendent of public instruction to withhold
 5 distribution of BASE aid from a district when the district fails to:

6 (a) submit reports or budgets as required by law or rules adopted by the board of public education; or

7 (b) maintain accredited status.

8 (3) Prior to any proposed order by the board of public education to withhold distribution of BASE aid or
 9 ~~county~~ elementary or high school equalization money, the district is entitled to a contested case hearing before
 10 the board of public education, as provided under the Montana Administrative Procedure Act.

11 (4) If a district ~~or county~~ receives more BASE aid than it is entitled to, the county treasurer shall return
 12 the overpayment to the state upon the request of the superintendent of public instruction in the manner prescribed
 13 by the superintendent of public instruction.

14 (5) Except as provided in 20-9-347(2), the BASE aid payment must be distributed according to the
 15 following schedule:

16 (a) from August to October of the school fiscal year, to each district 10% of:

17 (i) direct state aid;

18 (ii) elementary and high school equalization aid;

19 ~~(ii)~~(iii) the total quality educator payment;

20 ~~(iii)~~(iv) the total at-risk student payment;

21 ~~(iv)~~(v) the total Indian education for all payment; and

22 ~~(v)~~(vi) the total American Indian achievement gap payment;

23 (b) from December to April of the school fiscal year, to each district 10% of:

24 (i) direct state aid;

25 (ii) elementary and high school equalization aid;

26 ~~(ii)~~(iii) the total quality educator payment;

27 ~~(iii)~~(iv) the total at-risk student payment;

28 ~~(iv)~~(v) the total Indian education for all payment; and

29 ~~(v)~~(vi) the total American Indian achievement gap payment; and

30 ~~(c) in November of the school fiscal year, one-half of the guaranteed tax base aid payment to each~~

district or county that has submitted a final budget to the superintendent of public instruction in accordance with the provisions of 20-9-134;

(d) in May of the school fiscal year, the remainder of the guaranteed tax base aid payment to each district or county; and

(e)(c) in June of the school fiscal year, the remaining payment to each district of direct state aid, elementary and high school equalization aid, the total quality educator payment, the total at-risk student payment, the total Indian education for all payment, and the total American Indian achievement gap payment.

(6) The distribution provided for in subsection (5) must occur by the last working day of each month."

Section 24. Section 20-9-346, MCA, is amended to read:

"20-9-346. Duties of superintendent of public instruction for state and county equalization aid distribution. The superintendent of public instruction shall administer the distribution of the state equalization aid and county elementary and high school equalization aid by:

(1) establishing the annual entitlement of each district and county to state equalization aid and county elementary and high school equalization aid, based on the data reported in the retirement, general fund, and debt service fund budgets for each district that have been adopted for the current school fiscal year and verified by the superintendent of public instruction;

(2) for the purposes of state advances and reimbursements for school facilities, limiting the distribution to no more than the amount appropriated for the school fiscal year to the districts that are eligible under the provisions of 20-9-366 through 20-9-370 and 20-9-371 by:

(a) determining the debt service payment obligation in each district for debt service on bonds that were sold as provided in 20-9-370(3) that qualify for a state advance or reimbursement for school facilities under the provisions of 20-9-366, through 20-9-367, 20-9-369, and 20-9-370;

(b) based on the limitation of state equalization aid appropriated for debt service purposes, determining the state advance for school facilities and the proportionate share of state reimbursement for school facilities that each eligible district must receive for the school fiscal year; and

(c) distributing that amount by May 31 of each school fiscal year to each eligible district for reducing the property tax for the debt service fund for the ensuing school fiscal year;

(3) distributing by electronic transfer the BASE aid and state advances for county elementary and high school equalization, for each district or county entitled to the aid, to the county treasurer of the respective county

1 for ~~county~~ elementary and high school equalization or to the county treasurer of the county where the district is
2 located or to the investment account identified by the applicable district for BASE aid, in accordance with the
3 distribution ordered by the board of public education;

4 (4) keeping a record of the full and complete data concerning money available for state equalization aid,
5 state advances for ~~county~~ elementary or high school equalization, and the entitlements for BASE aid of the
6 districts of the state;

7 (5) reporting to the board of public education the estimated amount that will be available for state
8 equalization aid; and

9 (6) reporting to the office of budget and program planning, as provided in 17-7-111:

10 (a) the figures and data available concerning distributions of state equalization aid and ~~county~~ elementary
11 and high school equalization aid during the preceding 2 school fiscal years;

12 (b) the amount of state equalization aid then available;

13 (c) the apportionment made of the available money but not yet distributed;

14 (d) the latest estimate of accruals of money available for state equalization aid; and

15 (e) the amount of state advances and repayment for ~~county~~ elementary and high school equalization."

16
17 **Section 25.** Section 20-9-347, MCA, is amended to read:

18 **"20-9-347. Distribution of BASE aid and special education allowable cost payments in support**
19 **of BASE funding program -- exceptions.** (1) The superintendent of public instruction shall:

20 (a) supply the county treasurer and the county superintendent with a monthly report of the payment of
21 BASE aid in support of the BASE funding program of each district of the county;

22 (b) in the manner described in 20-9-344, provide for a state advance to each county in an amount that
23 is no less than the amount anticipated to be raised for the elementary and high school ~~county~~ equalization funds
24 as provided in 20-9-331 and 20-9-333; and

25 (c) adopt rules to implement the provisions of subsection (1)(b).

26 (2) (a) The superintendent of public instruction is authorized to adjust the schedule prescribed in
27 20-9-344 for distribution of the BASE aid payments if the distribution will cause a district to register warrants under
28 the provisions of 20-9-212(8).

29 (b) To qualify for an adjustment in the payment schedule, a district shall demonstrate to the
30 superintendent of public instruction, in the manner required by the office, that the payment schedule prescribed

1 in 20-9-344 will result in insufficient money available in all funds of the district to make payment of the district's
2 warrants. The county treasurer shall confirm the anticipated deficit. This section may not be construed to
3 authorize the superintendent of public instruction to exceed a district's annual payment for BASE aid.

4 (3) The superintendent of public instruction shall:

5 (a) distribute special education allowable cost payments to districts; and

6 (b) supply the county treasurer and the county superintendent of schools with a report of payments for
7 special education allowable costs to districts of the county."

8
9 **Section 26.** Section 20-9-348, MCA, is amended to read:

10 **"20-9-348. Estimation of state equalization aid for budget purposes.** The apportionment of state
11 equalization aid ~~shall be~~ is the second source of revenue in calculating the financing of the elementary district
12 BASE funding program and the high school district BASE funding program. In order to allow for the estimation
13 of the amount of money to be realized from this source of revenue when the county superintendent is estimating
14 the general fund budget revenues, the county superintendent shall consider that the state BASE funding program
15 ~~revenues~~ revenue and ~~county elementary and high school~~ equalization ~~moneys~~ money, together, will be capable
16 of financing 100% of the BASE funding program."

17
18 **Section 27.** Section 20-9-351, MCA, is amended to read:

19 **"20-9-351. Funding of deficiency in BASE aid.** If the money available for BASE aid is not the result
20 of a reduction in spending under 17-7-140 and is not sufficient to provide the ~~guaranteed tax base aid required~~
21 ~~under 20-9-366 through 20-9-369~~ and BASE aid support determined under 20-9-347, the superintendent of public
22 instruction shall request the budget director to submit a request for a supplemental appropriation in the second
23 year of the biennium that is sufficient to complete the funding of BASE aid for the elementary and high school
24 districts for the current biennium."

25
26 **Section 28.** Section 20-9-361, MCA, is amended to read:

27 **"20-9-361. ~~County equalization~~ Equalization revenue.** Revenue received in support of ~~county~~
28 elementary and high school equalization under the provisions of 20-9-331 and 20-9-333 is to be used for ~~county~~
29 equalization aid for the public schools, as provided by law, and must be accounted for in accordance with
30 generally accepted accounting principles."

1
2 **Section 29.** Section 20-9-366, MCA, is amended to read:

3 **"20-9-366. Definitions.** As used in 20-9-366, through 20-9-367, and 20-9-369 through 20-9-371, the
4 following definitions apply:

5 ~~(1) "County retirement mill value per elementary ANB" or "county retirement mill value per high school~~
6 ~~ANB" means the sum of the taxable valuation in the previous year of all property in the county divided by 1,000,~~
7 ~~with the quotient divided by the total county elementary ANB count or the total county high school ANB count~~
8 ~~used to calculate the elementary school districts' and high school districts' current year total per-ANB entitlement~~
9 ~~amounts.~~

10 ~~———— (2) (a) "District guaranteed tax base ratio" for guaranteed tax base funding for the BASE budget of an~~
11 ~~eligible district means the taxable valuation in the previous year of all property in the district, except for property~~
12 ~~subject to the creation of a new school district under 20-6-326, divided by the sum of the district's current year~~
13 ~~BASE budget amount less direct state aid and the state special education allowable cost payment.~~

14 ~~———— (b)(1) "District mill value per ANB", for school facility entitlement purposes, means the taxable valuation~~
15 ~~in the previous year of all property in the district, except for property subject to the creation of a new school district~~
16 ~~under 20-6-326, divided by 1,000, with the quotient divided by the ANB count of the district used to calculate the~~
17 ~~district's current year total per-ANB entitlement amount.~~

18 ~~(3)(2) "Facility guaranteed mill value per ANB", for school facility entitlement guaranteed tax base~~
19 ~~purposes, means the sum of the taxable valuation in the previous year of all property in the state, multiplied by~~
20 ~~140% and divided by 1,000, with the quotient divided by the total state elementary ANB count or the total state~~
21 ~~high school ANB count used to calculate the elementary school districts' and high school districts' current year~~
22 ~~total per-ANB entitlement amounts.~~

23 ~~(4) (a) "Statewide elementary guaranteed tax base ratio" or "statewide high school guaranteed tax base~~
24 ~~ratio", for guaranteed tax base funding for the BASE budget of an eligible district, means the sum of the taxable~~
25 ~~valuation in the previous year of all property in the state, multiplied by 193% and divided by the total sum of either~~
26 ~~the state elementary school districts' or the high school districts' current year BASE budget amounts less total~~
27 ~~direct state aid.~~

28 ~~———— (b) "Statewide mill value per elementary ANB" or "statewide mill value per high school ANB", for school~~
29 ~~retirement guaranteed tax base purposes, means the sum of the taxable valuation in the previous year of all~~
30 ~~property in the state, multiplied by 124% and divided by 1,000, with the quotient divided by the total state~~

1 elementary ANB count or the total state high school ANB amount used to calculate the elementary school
2 districts' and high school districts' current year total per-ANB entitlement amounts."

3
4 **Section 30.** Section 20-9-367, MCA, is amended to read:

5 **"20-9-367. Eligibility to receive guaranteed tax base aid or state advance or reimbursement for**
6 **school facilities.** (1) If the district guaranteed tax base ratio of any elementary or high school district is less than
7 the corresponding statewide elementary or high school guaranteed tax base ratio, the district may receive
8 guaranteed tax base aid based on the number of mills levied in the district in support of up to 35.3% of the basic
9 entitlement, up to 35.3% of the total per-ANB entitlement, and up to 40% of the special education allowable cost
10 payment budgeted within the general fund budget.

11 ——— (2) If the county retirement mill value per elementary ANB or the county retirement mill value per high
12 school ANB is less than the corresponding statewide mill value per elementary ANB or high school ANB, the
13 county may receive guaranteed tax base aid based on the number of mills levied in the county in support of the
14 retirement fund budgets of the respective elementary or high school districts in the county.

15 ——— (3) For the purposes of 20-9-370 and 20-9-371, if the district mill value per elementary ANB or the district
16 mill value per high school ANB is less than the corresponding statewide mill value per elementary ANB or
17 statewide mill value per high school ANB, the district may receive a state advance or reimbursement for school
18 facilities in support of the debt service fund."

19
20 **Section 31.** Section 20-9-369, MCA, is amended to read:

21 **"20-9-369. Duties of superintendent of public instruction and department of revenue.** (1) The
22 superintendent of public instruction shall administer the distribution of guaranteed tax base aid state advances
23 or reimbursements for school facilities in support of the debt service fund by:

24 (a) ~~providing each school district and county superintendent, by March 1 of each year, with the~~
25 ~~preliminary statewide and district guaranteed tax base ratios and, by May 1 of each year, with the final statewide~~
26 ~~and district guaranteed tax base ratios, for use in calculating the guaranteed tax base aid available for the~~
27 ~~ensuing school fiscal year;~~

28 (b)(a) providing each school district and county superintendent, by March 1 of each year, with the
29 preliminary statewide, county, and district mill values per ANB and, by May 1 of each year, with the final
30 statewide, county, and district mill values per ANB, for use in calculating the guaranteed tax base aid and state

advance and reimbursement for school facilities available to ~~counties and~~ districts for the ensuing school fiscal year;

~~(c) requiring each county and district that qualifies and applies for guaranteed tax base aid to report to the county superintendent all budget and accounting information required to administer the guaranteed tax base aid;~~

~~(d)(b) keeping a record of the complete data concerning appropriations available for guaranteed tax base aid and the entitlements for the aid of the counties and state advances and reimbursements for school facilities to districts that qualify;~~

~~(e)(c) distributing the guaranteed tax base aid entitlement state advance and reimbursement for school facilities to each qualified county or district from the appropriations for that purpose.~~

(2) The superintendent shall adopt rules necessary to implement 20-9-366, ~~through~~ 20-9-367, and 20-9-369.

(3) The department of revenue shall provide the superintendent of public instruction by December 1 of each year a final determination of the taxable value of property within each school district ~~and county~~ of the state reported to the department of revenue based on information delivered to the county clerk and recorder as required in 15-10-305.

~~(4) The superintendent of public instruction shall calculate the district and statewide guaranteed tax base ratios by applying the prior year's direct state aid payment."~~

Section 32. Section 20-9-406, MCA, is amended to read:

"20-9-406. Limitations on amount of bond issue -- definition of federal impact aid basic support payment. (1) (a) ~~Except as provided in subsection (1)(d), the~~ The maximum amount for which an elementary district or a high school district may become indebted by the issuance of general obligation bonds, including all indebtedness represented by outstanding general obligation bonds of previous issues, registered warrants, outstanding obligations under 20-9-471 and 20-9-502, and any other loans or notes payable that are held as general obligations of the district, is 50% of the taxable value of the property subject to taxation, as ascertained by the last assessment for state, county, and school taxes previous to the incurring of the indebtedness.

(b) ~~Except as provided in subsection (1)(d), the~~ The maximum amount for which a K-12 school district, as formed pursuant to 20-6-701, may become indebted by the issuance of general obligation bonds, including all indebtedness represented by outstanding general obligation bonds of previous issues, registered warrants,

1 outstanding obligations under 20-9-471 and 20-9-502, and any other loans or notes payable that are held as
2 general obligations of the district, is up to 100% of the taxable value of the property subject to taxation, as
3 ascertained by the last assessment for state, county, and school taxes previous to the incurring of the
4 indebtedness.

5 (c) The total indebtedness of the high school district with an attached elementary district is limited to the
6 sum of 50% of the taxable value of the property for elementary school program purposes and 50% of the taxable
7 value of the property for high school program purposes.

8 ~~(d) (i) The maximum amount for which an elementary district or a high school district with a district mill~~
9 ~~value per elementary ANB or per high school ANB that is less than the facility guaranteed mill value per~~
10 ~~elementary ANB or high school ANB under 20-9-366 may become indebted by the issuance of general obligation~~
11 ~~bonds, including all indebtedness represented by outstanding general obligation bonds of previous issues,~~
12 ~~registered warrants, outstanding obligations under 20-9-471 and 20-9-502, and any other loans or notes payable~~
13 ~~that are held as general obligations of the district, is 50% of the corresponding facility guaranteed mill value per~~
14 ~~ANB times 1,000 times the ANB of the district. For a K-12 district, the maximum amount for which the district may~~
15 ~~become indebted is 50% of the sum of the facility guaranteed mill value per elementary ANB times 1,000 times~~
16 ~~the elementary ANB of the district and the facility guaranteed mill value per high school ANB times 1,000 times~~
17 ~~the high school ANB of the district. For the purpose of calculating ANB under this subsection, a district may use~~
18 ~~the greater of the current year ANB or the 3-year ANB calculated under 20-9-311.~~

19 ~~———— (ii) If mutually agreed upon by the affected districts, for the purpose of calculating its maximum bonded~~
20 ~~indebtedness under this subsection (1)(d), a district may include the ANB of the district plus the number of~~
21 ~~students residing within the district for which the district or county pays tuition for attendance at a school in an~~
22 ~~adjacent district. The receiving district may not use out-of-district ANB for the purpose of calculating its maximum~~
23 ~~indebtedness if the out-of-district ANB has been included in the ANB of the sending district pursuant to the mutual~~
24 ~~agreement. For the purpose of calculating ANB under this subsection, a district may use the greater of the current~~
25 ~~year ANB or the 3-year ANB calculated under 20-9-311.~~

26 (2) The maximum amounts determined in subsection (1) do not pertain to indebtedness imposed by
27 special improvement district obligations or assessments against the school district or to general obligation bonds
28 issued for the repayment of tax protests lost by the district. All general obligation bonds issued in excess of the
29 amount are void, except as provided in this section.

30 (3) The maximum amount of impact aid revenue bonds that an elementary district, high school district,

or K-12 school district may issue may not exceed a total aggregate amount equal to three times the average of the school district's annual federal impact aid basic support payments for the 5 years immediately preceding the issuance of the bonds. However, at the time of issuance of the bonds, the average annual payment of principal and interest on the impact aid bonds each year may not exceed 35% of the total federal impact aid basic support payments of the school district for the current year.

(4) When the total indebtedness of a school district has reached the limitations prescribed in this section, the school district may pay all reasonable and necessary expenses of the school district on a cash basis in accordance with the financial administration provisions of this chapter.

(5) Whenever bonds are issued for the purpose of refunding bonds, any money to the credit of the debt service fund for the payment of the bonds to be refunded is applied toward the payment of the bonds and the refunding bond issue is decreased accordingly.

(6) As used in this part, "federal impact aid basic support payment" means the annual impact aid revenue received by a district under 20 U.S.C. 7703(b) but excludes revenue received for impact aid special education under 20 U.S.C. 7703(d) and impact aid construction under 20 U.S.C. 7707."

Section 33. Section 20-9-501, MCA, is amended to read:

"20-9-501. Retirement costs and retirement fund. (1) The trustees of a district or the management board of a cooperative employing personnel who are members of the teachers' retirement system or the public employees' retirement system, who are covered by unemployment insurance, or who are covered by any federal social security system requiring employer contributions shall establish a retirement fund for the purposes of budgeting and paying the employer's contributions to the systems as provided in subsection ~~(2)(a)~~ (2). The district's or the cooperative's contribution for each employee who is a member of the teachers' retirement system must be calculated in accordance with Title 19, chapter 20, part 6. The district's or the cooperative's contribution for each employee who is a member of the public employees' retirement system must be calculated in accordance with 19-3-316. The district's or the cooperative's contributions for each employee covered by any federal social security system must be paid in accordance with federal law and regulation. The district's or the cooperative's contribution for each employee who is covered by unemployment insurance must be paid in accordance with Title 39, chapter 51, part 11.

(2) ~~(a)~~ The district or the cooperative shall pay the employer's contributions to the retirement, federal social security, and unemployment insurance systems from the retirement fund for the following:

(i)(a) a district employee whose salary and health-related benefits, if any health-related benefits are provided to the employee, are paid from state or local funding sources;

(ii)(b) a cooperative employee whose salary and health-related benefits, if any health-related benefits are provided to the employee, are paid from the cooperative's interlocal cooperative fund if the fund is supported solely from districts' general funds and state special education allowable cost payments, pursuant to 20-9-321, or are paid from the miscellaneous programs fund, provided for in 20-9-507, from money received from the medicaid program, pursuant to 53-6-101;

(iii)(c) a district employee whose salary and health-related benefits, if any health-related benefits are provided to the employee, are paid from the district's school food services fund provided for in 20-10-204; and

(iv)(d) a district employee whose salary and health-related benefits, if any health-related benefits are provided to the employee, are paid from the district impact aid fund, pursuant to 20-9-514.

~~(b) For an employee whose benefits are not paid from the retirement fund, the district or the cooperative shall pay the employer's contributions to the retirement, federal social security, and unemployment insurance systems from the funding source that pays the employee's salary.~~

(3) The trustees of a district required to make a contribution to a system referred to in subsection (1) shall include in the retirement fund of the final budget the estimated amount of the employer's contribution. After the final retirement fund budget has been adopted, the trustees shall pay the employer contributions to the systems in accordance with the financial administration provisions of this title.

(4) When the final retirement fund budget has been adopted, the county superintendent shall ~~establish the levy~~ determine the elementary and high school equalization aid requirement by:

(a) determining the sum of the money available to ~~reduce~~ finance the retirement fund ~~levy~~ requirement by adding:

(i) any anticipated money that may be realized in the retirement fund during the ensuing school fiscal year;

(ii) oil and natural gas production taxes;

(iii) coal gross proceeds taxes under 15-23-703;

(iv) countywide school retirement block grants distributed under 20-9-631;

(v) any fund balance available for reappropriation as determined by subtracting the amount of the end-of-the-year fund balance earmarked as the retirement fund operating reserve for the ensuing school fiscal year by the trustees from the end-of-the-year fund balance in the retirement fund. The retirement fund operating

1 reserve may not be more than 35% of the final retirement fund budget for the ensuing school fiscal year and must
2 be used for the purpose of paying retirement fund warrants issued by the district under the final retirement fund
3 budget.

4 (vi) any other revenue anticipated that may be realized in the retirement fund during the ensuing school
5 fiscal year, excluding any guaranteed tax base aid.

6 (b) ~~notwithstanding the provisions of subsection (9),~~ subtracting the money available for reduction of the
7 ~~levy elementary and high school equalization aid~~ requirement, as determined in subsection (4)(a), from the
8 budgeted amount for expenditures in the final retirement fund budget.

9 (5) The county superintendent shall:

10 (a) total the net retirement fund ~~levy~~ requirements separately for all elementary school districts, all high
11 school districts, and all community college districts of the county, including any prorated joint district or special
12 education cooperative agreement levy requirements; and

13 (b) report ~~each levy requirement~~ to the county commissioners on the fourth Monday of August as the
14 ~~respective county levy requirements~~ requirement for ~~elementary district, high school district, and~~ community
15 college district retirement funds.

16 (6) The county commissioners shall fix and set the ~~county levy or~~ community college district levy in
17 accordance with 20-9-142.

18 (7) The net retirement fund ~~levy~~ elementary and high school equalization aid requirement for a joint
19 elementary district or a joint high school district must be prorated to each county in which a part of the district is
20 located in the same proportion as the district ANB of the joint district is distributed by pupil residence in each
21 county. The county superintendents of the counties affected shall jointly determine the net retirement fund ~~levy~~
22 elementary and high school equalization aid requirement for each county as provided in 20-9-151.

23 (8) The net retirement fund ~~levy~~ elementary and high school equalization aid requirement for districts
24 that are members of special education cooperative agreements must be prorated to each county in which the
25 district is located in the same proportion as the special education cooperative budget is prorated to the member
26 school districts. The county superintendents of the counties affected shall jointly determine the net retirement fund
27 ~~levy~~ elementary and high school equalization aid requirement for each county in the same manner as provided
28 in 20-9-151; ~~and the county commissioners shall fix and levy the net retirement fund levy for each county in the~~
29 ~~same manner as provided in 20-9-152.~~

30 (9) ~~The county superintendent shall calculate the number of mills to be levied on the taxable property~~

in the county to finance the retirement fund net levy requirement by dividing the amount determined in subsection (5)(a) by the sum of:

- (a) the amount of guaranteed tax base aid that the county will receive for each mill levied, as certified by the superintendent of public instruction; and
- (b) the taxable valuation of the district divided by 1,000.

(10)(9) The levy for a community college district may be applied only to property within the district.

(11)(10) The county superintendent of each county shall submit a report of the revenue amounts used to establish the levy elementary and high school equalization aid requirements for county school funds supporting elementary and high school district retirement obligations to the superintendent of public instruction not later than the second Monday in September. The report must be completed on forms supplied by the superintendent of public instruction."

Section 34. Section 20-9-506, MCA, is amended to read:

"20-9-506. Budgeting and net levy requirement for nonoperating fund. (1) The trustees of any district ~~which~~ that does not operate a school or will not operate a school during the ensuing school fiscal year shall adopt a nonoperating school district budget in accordance with the school budgeting provisions of this title. ~~Such~~ The nonoperating budget ~~shall~~ must contain the nonoperating fund and, when appropriate, a debt service fund. The nonoperating budget form ~~shall~~ must be promulgated and distributed by the superintendent of public instruction under the provisions of 20-9-103.

(2) After the adoption of a final budget for the nonoperating fund, the county superintendent shall compute the net levy requirement for ~~such~~ the fund by subtracting from the amount authorized by ~~such~~ the budget the sum of:

- (a) the end-of-the-year cash balance of the nonoperating fund or, if it is the first year of nonoperation, the cash balance determined under the transfer provisions of 20-9-505;
- (b) the estimated state ~~and county~~ transportation reimbursements; and
- (c) any other ~~moneys~~ money that may become available during the ensuing school fiscal year.

(3) The county superintendent shall report the net nonoperating fund levy requirement and any net debt service fund levy requirement determined under the provisions of 20-9-439 to the county commissioners on the fourth Monday of August, and ~~such~~ the levies ~~shall~~ must be made on the district by the county commissioners in accordance with 20-9-142."

Section 35. Section 20-9-515, MCA, is amended to read:

"20-9-515. Litigation reserve fund. (1) The trustees of a school district may establish a litigation reserve fund only when litigation that is pending against the district could result in an award against the district.

(2) At the end of each school fiscal year, the trustees of a district may transfer money from the general fund, within the adopted budget, to establish the fund.

(3) Upon conclusion of litigation, the balance of the money in the fund reverts to the general fund and must be used to reduce the district's general fund ~~BASE~~ budget levy requirement computed pursuant to 20-9-141."

Section 36. Section 20-9-620, MCA, is amended to read:

"20-9-620. Definition. (1) As used in 20-9-621, 20-9-622, and this section, "distributable revenue" means, except for that portion of revenue described in ~~20-9-343(4)(a)(ii) and available on or after July 1, 2003~~ 20-9-343(3)(a)(ii), 77-1-607, and 77-1-613, 95% of all revenue from the management of school trust lands and the permanent fund, including timber sale proceeds, lease fees, interest, dividends, and net realized capital gains.

(2) The term does not include mineral royalties or land sale proceeds that are deposited directly in the permanent fund or net unrealized capital gains that remain in the permanent fund until realized."

Section 37. Section 20-10-104, MCA, is amended to read:

"20-10-104. Penalty for violating law or rules. (1) Every district, its trustees and employees, and every person under a transportation contract with a district is subject to the policies prescribed by the board of public education and the rules prescribed by the superintendent of public instruction. When a district knowingly violates a transportation law or board of public education transportation policy, the district shall forfeit any reimbursement otherwise payable under 20-10-145 ~~and 20-10-146~~ for any bus miles actually traveled during that fiscal year in violation of the law or policies.

(2) A district knowingly violates a transportation law or board of public education policy when it operates a bus route in a manner that does not comply with state law or board policy related to student safety. As provided in 20-10-141(1), a district that operates a bus route not approved by its county transportation committee may not receive transportation reimbursement on that route, but if the route is operated in compliance with transportation law, the operation of the routes is not a violation that will result in the forfeiture of all transportation aid to the

1 district.

2 (3) The county superintendent shall suspend all reimbursements payable to the district under 20-10-145
3 ~~and 20-10-146~~ for all miles being traveled, including both miles being traveled in compliance with the
4 transportation laws or policies and miles being traveled in violation of the transportation laws or policies, until the
5 district corrects the violation. When the district corrects the violation, the county superintendent shall pay all
6 reimbursements otherwise payable under 20-10-145 ~~and 20-10-146~~, including amounts suspended during the
7 violation, but the amount forfeited under subsection (1) may not be paid to the district.

8 (4) When a person operating a bus under contract with a district knowingly fails to comply with the
9 transportation law or the board of public education transportation policies, the district may not pay the person for
10 any bus miles traveled during the contract year in violation of law or policies. Upon discovering a violation, the
11 trustees of the district shall give written notice to the person that unless the violation is corrected within 10 days
12 of the giving of notice, the contract will be canceled. The trustees of a district shall order the operation of a bus
13 operated under contract suspended when the bus is being operated in violation of transportation law or policies
14 and the trustees find that the violation jeopardizes the safety of pupils."
15

16 **Section 38.** Section 20-10-141, MCA, is amended to read:

17 **"20-10-141. Schedule of maximum reimbursement by mileage rates.** (1) The mileage rates in
18 subsection (2) for school transportation constitute the maximum reimbursement to districts for school
19 transportation from the state and county sources of transportation revenue under the provisions of 20-10-145 ~~and~~
20 ~~20-10-146~~. These rates may not limit the amount that a district may budget in its transportation fund budget in
21 order to provide for the estimated and necessary cost of school transportation during the ensuing school fiscal
22 year. All bus miles traveled on bus routes approved by the county transportation committee are reimbursable.
23 Nonbus mileage is reimbursable for a vehicle driven by a bus driver to and from an overnight location of a school
24 bus when the location is more than 10 miles from the school. A district may approve additional bus or nonbus
25 miles within its own district or approved service area but may not claim reimbursement for the mileage. Any
26 vehicle, the operation of which is reimbursed for bus mileage under the rate provisions of this schedule, must be
27 a school bus, as defined by this title, driven by a qualified driver on a bus route approved by the county
28 transportation committee and the superintendent of public instruction.

29 (2) (a) The rate for each bus mile traveled must be determined in accordance with the following
30 schedule:

(i) 95 cents for a school bus with a rated capacity of not more than 49 passenger seating positions;

(ii) \$1.15 for a school bus with a rated capacity of 50 to 59 passenger seating positions;

(iii) \$1.36 for a school bus with a rated capacity of 60 to 69 passenger seating positions;

(iv) \$1.57 for a school bus with a rated capacity of 70 to 79 passenger seating positions; and

(v) \$1.80 for a school bus with 80 or more passenger seating positions.

(b) Nonbus mileage, as provided in subsection (1), must be reimbursed at a rate of 50 cents a mile.

(3) The rated capacity is the number of passenger seating positions of a school bus as determined under the policy adopted by the board of public education. If modification of a school bus to accommodate pupils with disabilities reduces the rated capacity of the bus, the reimbursement to a district for pupil transportation is based on the rated capacity of the bus prior to modification.

(4) The number of pupils riding the school bus may not exceed the passenger seating positions of the bus."

Section 39. Section 20-10-142, MCA, is amended to read:

"20-10-142. Schedule of maximum reimbursement for individual transportation. The following rates for individual transportation constitute the maximum reimbursement to districts for individual transportation from ~~the state and county sources of transportation revenue~~ under the provisions of 20-10-145 and ~~20-10-146~~. These rates constitute the limitation of the budgeted amounts for individual transportation for the ensuing school fiscal year. The schedules provided in this section may not be altered by any authority other than the legislature. When the trustees contract with the parent or guardian of any eligible transportee to provide individual transportation for each day of school attendance, they shall reimburse the parent or guardian for actual miles transported on the basis of the following schedule:

(1) When a parent or guardian transports an eligible transportee or transportees from the residence of the parent or guardian to a school or to schools located within 3 miles of one another, the total reimbursement for each day of attendance is determined by multiplying the distance in miles between the residence and the school, or the most distant school if more than one, by 2, subtracting 6 miles from the product, and multiplying the difference by 35 cents, provided that:

(a) if two or more eligible transportees are transported by a parent or guardian to two or more schools located within 3 miles of one another and if the schools are operated by different school districts, the total amount of the reimbursement must be divided equally between the districts;

(b) if two or more eligible transportees are transported by a parent or guardian to two or more schools located more than 3 miles from one another, the parent or guardian must be separately reimbursed for transporting the eligible transportee or transportees to each school;

(c) if a parent transports two or more eligible transportees to a school and a bus stop that are located within 3 miles of one another, the total reimbursement must be determined under the provisions of this subsection (1) and must be divided equally between the district operating the school and the district operating the bus;

(d) if a parent transporting two or more eligible transportees to a school or bus stop must, because of varying arrival and departure times, make more than one round-trip journey to the bus stop or school, the total reimbursement allowed by this section is limited to one round trip a day for each scheduled arrival or departure time;

(e) notwithstanding subsection (1)(a), (1)(b), (1)(c), or (1)(d), a reimbursement may not be less than 35 cents a day.

(2) When the parent or guardian transports an eligible transportee or transportees from the residence to a bus stop of a bus route approved by the trustees for the transportation of the transportee or transportees, the total reimbursement for each day of attendance is determined by multiplying the distance in miles between the residence and the bus stop by 2, subtracting 6 miles from the product, and multiplying the difference by 35 cents, provided that:

(a) if the eligible transportees attend schools in different districts but ride on one bus, the districts shall divide the total reimbursement equally; and

(b) if the parent or guardian is required to transport the eligible transportees to more than one bus, the parent or guardian must be separately reimbursed for transportation to each bus.

(3) When, because of excessive distances, impassable roads, or other special circumstances of isolation, the rates prescribed in subsection (1) or (2) would be an inadequate reimbursement for the transportation costs or would result in a physical hardship for the eligible transportee, a parent or guardian may request an increase in the reimbursement rate. A request for increased rates because of isolation must be made by the parent or guardian on the contract for individual transportation for the ensuing school fiscal year by indicating the special facts and circumstances that exist to justify the increase. Before an increased rate because of isolation may be paid to the requesting parent or guardian, the rate must be approved by the county transportation committee and the superintendent of public instruction after the trustees have indicated their approval or disapproval. Regardless of the action of the trustees and when approval is given by the committee

1 and the superintendent of public instruction, the trustees shall pay the increased rate because of isolation. The
2 increased rate is 1 1/2 times the rate prescribed in subsection (1).

3 (4) The state ~~and county transportation~~ reimbursement for an individual transportation contract may not
4 exceed \$12.95 for each day of attendance for the first eligible transportee and \$8.40 for each day of attendance
5 for each additional eligible transportee.

6 (5) When the isolated conditions of the household where an eligible transportee resides require an
7 eligible transportee to live away from the household in order to attend school, the eligible transportee is eligible
8 for the room and board reimbursement. Approval to receive the room and board reimbursement must be obtained
9 in the same manner prescribed in subsection (3). The per diem rate for room and board is \$12.95 for one eligible
10 transportee and \$8.40 for each additional eligible transportee of the same household.

11 (6) When the individual transportation provision is to be satisfied by supervised home study or supervised
12 correspondence study, the reimbursement rate is the cost of the study, provided that the course of instruction is
13 approved by the trustees and supervised by the district."
14

15 **Section 40.** Section 20-10-143, MCA, is amended to read:

16 **"20-10-143. Budgeting for transportation and transmittal of transportation contracts.** (1) The
17 trustees of a district furnishing transportation to pupils who are residents of the district shall provide a
18 transportation fund budget that is adequate to finance the district's transportation contractual obligations and any
19 other transportation expenditures necessary for the conduct of its transportation program. The transportation fund
20 budget must include:

21 (a) an adequate amount to finance the maintenance and operation of school buses owned and operated
22 by the district;

23 (b) the annual contracted amount for the maintenance and operation of school buses by a private party;

24 (c) the annual contracted amount for individual transportation, including any increased amount because
25 of isolation, which may not exceed the schedule amounts prescribed in 20-10-142;

26 (d) any amount necessary for the purchase, rental, or insurance of school buses; and

27 (e) any other amount necessary to finance the administration, operation, or maintenance of the
28 transportation program of the district, as determined by the trustees.

29 (2) The trustees may include a contingency amount in the transportation fund budget for the purpose
30 of enabling the district to fulfill an obligation to provide transportation in accordance with this title for:

(a) pupils not residing in the district at the time of the adoption of the final budget and who subsequently became residents of the district during the school fiscal year;

(b) pupils who have become eligible transportees since the adoption of the final budget because their legal residence has been changed; or

(c) other unforeseen increases in bus route mileage or obligations for payment of additional contracts for individual transportation for an eligible transportee for which state ~~and county~~ reimbursement is authorized under 20-10-141 and 20-10-142. The budgeted contingency amount may not exceed 10% of the transportation schedule amount as calculated under the provisions of 20-10-141 and 20-10-142 for all transportation services authorized by the schedules and provided by the district unless 10% of the transportation schedule amount is less than \$100, in which case \$100 is the maximum limitation for the budgeted contingency amount.

(3) A budget amendment to the transportation fund budget may be adopted subject to the provisions of 20-9-161 through 20-9-166.

(4) The trustees shall report the transportation fund budget on the regular budget form prescribed by the superintendent of public instruction in accordance with 20-9-103, and the adoption of the transportation fund budget must be completed in accordance with the school budgeting laws. When the adopted final budget is sent to the county superintendent, the trustees shall also send copies of all completed transportation contracts for school bus transportation to the county superintendent. The contracts must substantiate all contracted school bus transportation services incorporated in the final budget."

Section 41. Section 20-10-144, MCA, is amended to read:

"20-10-144. Computation of revenue and ~~net tax levy~~ requirements for district transportation fund budget. Before the second Monday of August, the county superintendent shall compute the revenue available to finance the transportation fund budget of each district. The county superintendent shall compute the revenue for each district on the following basis:

(1) The "schedule amount" of the budget expenditures that is derived from the rate schedules in 20-10-141 and 20-10-142 must be determined by adding the following amounts:

(a) the sum of the maximum reimbursable expenditures for all approved school bus routes maintained by the district (to determine the maximum reimbursable expenditure, multiply the applicable rate for each bus mile by the total number of miles to be traveled during the ensuing school fiscal year on each bus route approved by the county transportation committee and maintained by the district); plus

(b) the total of all individual transportation per diem reimbursement rates for the district as determined from the contracts submitted by the district multiplied by the number of pupil-instruction days scheduled for the ensuing school attendance year; plus

(c) any estimated costs for supervised home study or supervised correspondence study for the ensuing school fiscal year; plus

(d) the amount budgeted in the budget for the contingency amount permitted in 20-10-143, except if the amount exceeds 10% of the total of subsections (1)(a), (1)(b), and (1)(c) or \$100, whichever is larger, the contingency amount on the budget must be reduced to the limitation amount and used in this determination of the schedule amount; plus

(e) any estimated costs for transporting a child out of district when the child has mandatory approval to attend school in a district outside the district of residence.

(2) (a) The schedule amount determined in subsection (1) or the total transportation fund budget, whichever is smaller, ~~is divided by 2 and is used to determine the available state and county~~ state reimbursement revenue to be budgeted ~~on the following basis:~~

~~—— (i) one-half is the budgeted state transportation reimbursement; and~~

~~—— (ii) one-half is the budgeted county transportation fund reimbursement and must be financed in the manner provided in 20-10-146.~~

(b) When the district has a sufficient amount of fund balance for reappropriation and other sources of district revenue, as determined in subsection (3), to reduce the total district obligation for financing to zero, any remaining amount of district revenue and fund balance reappropriated must be used to reduce the ~~county financing obligation in subsection (2)(a)(ii) and, if the county financing obligations are reduced to zero, to reduce the state financial obligation in subsection (2)(a)(i).~~

~~(c) The county revenue requirement for a joint district, after the application of any district money under subsection (2)(b), must be prorated to each county incorporated by the joint district in the same proportion as the ANB of the joint district is distributed by pupil residence in each county.~~

(3) The total of the money available for the reduction of ~~property tax on the district~~ the state reimbursement for the transportation fund must be determined by totaling:

(a) anticipated federal money received under the provisions of 20 U.S.C. 7701, et seq., or other anticipated federal money received in lieu of that federal act;

(b) anticipated payments from other districts for providing school bus transportation services for the

1 district;

2 (c) anticipated payments from a parent or guardian for providing school bus transportation services for
3 a child;

4 (d) anticipated or reappropriated interest to be earned by the investment of transportation fund cash in
5 accordance with the provisions of 20-9-213(4);

6 ~~(e) anticipated revenue from coal gross proceeds under 15-23-703;~~

7 ~~(f)~~(e) anticipated oil and natural gas production taxes;

8 ~~(g)~~(f) anticipated local government severance tax payments for calendar year 1995 production;

9 ~~(h)~~(g) anticipated transportation payments for out-of-district pupils under the provisions of 20-5-320
10 through 20-5-324;

11 ~~—— (i) school district block grants distributed under 20-9-630;~~

12 ~~(j)~~(h) any other revenue anticipated by the trustees to be earned during the ensuing school fiscal year
13 that may be used to finance the transportation fund; and

14 ~~(k)~~(i) any fund balance available for reappropriation as determined by subtracting the amount of the
15 end-of-the-year fund balance earmarked as the transportation fund operating reserve for the ensuing school fiscal
16 year by the trustees from the end-of-the-year fund balance in the transportation fund. The operating reserve may
17 not be more than 20% of the final transportation fund budget for the ensuing school fiscal year and is for the
18 purpose of paying transportation fund warrants issued by the district under the final transportation fund budget.

19 ~~(4) The district levy requirement for each district's transportation fund must be computed by:~~

20 ~~—— (a) subtracting the schedule amount calculated in subsection (1) from the total preliminary transportation
21 budget amount; and~~

22 ~~—— (b) subtracting the amount of money available to reduce the property tax on the district, as determined
23 in subsection (3), from the amount determined in subsection (4)(a).~~

24 ~~—— (5) The transportation fund levy requirements determined in subsection (4) for each district must be
25 reported to the county commissioners on the fourth Monday of August by the county superintendent as the
26 transportation fund levy requirements for the district, and the levy must be made by the county commissioners
27 in accordance with 20-9-142."~~

28
29 **Section 42.** Section 20-10-145, MCA, is amended to read:

30 **"20-10-145. State transportation reimbursement.** (1) A district providing school bus transportation or

individual transportation in accordance with this title, board of public education transportation policy, and superintendent of public instruction transportation rules ~~must~~ shall receive a state reimbursement of its transportation expenditures under the transportation reimbursement rate provisions of 20-10-141 and 20-10-142. The state transportation reimbursement is ~~one-half~~ of the reimbursement amounts established in 20-10-141 and 20-10-142 or ~~one-half~~ of the district's transportation fund budget, whichever is smaller, and must be computed on the basis of the number of days the transportation services were actually rendered, not to exceed 180 pupil-instruction days. In determining the amount of the state transportation reimbursement, an amount claimed by a district may not be considered for reimbursement unless the amount has been paid in the regular manner provided for the payment of other financial obligations of the district.

(2) Requests for the state transportation reimbursement must be made by each district semiannually during the school fiscal year on the claim forms and procedure promulgated by the superintendent of public instruction. The claims for state transportation reimbursements must be routed by the district to the county superintendent, who after reviewing the claims shall send them to the superintendent of public instruction. The superintendent of public instruction shall establish the validity and accuracy of the claims for the state transportation reimbursements by determining compliance with this title, board of public education transportation policy, and the transportation rules of the superintendent of public instruction. After making any necessary adjustments to the claims, the superintendent of public instruction shall order a disbursement from the state money appropriated by the legislature of the state of Montana for the state transportation reimbursement. The payment of all the district's claims within one county must be made to the county treasurer of the county, and the county superintendent shall apportion the payment in accordance with the apportionment order supplied by the superintendent of public instruction.

(3) After adopting a budget amendment for the transportation fund in accordance with 20-9-161 through 20-9-166, the district shall send to the superintendent of public instruction a copy of each new or amended individual transportation contract and each new or amended bus route form to which the budget amendment applies. State reimbursement for the additional obligations must be paid as provided in subsection (1)."

Section 43. Section 20-10-147, MCA, is amended to read:

"20-10-147. Bus depreciation reserve fund. (1) The trustees of a district owning a bus or a two-way radio used for purposes of transportation, as defined in 20-10-101, or for purposes of conveying pupils to and from school functions or activities may establish a bus depreciation reserve fund to be used for the conversion,

remodeling, or rebuilding of a bus or for the replacement of a bus or radio. The trustees of a district may also use the bus depreciation reserve fund to purchase an additional bus for purposes of transportation, as defined in 20-10-101.

(2) Whenever a bus depreciation reserve fund is established, the trustees may include in the district's budget, in accordance with the school budgeting provisions of this title, an amount each year that does not exceed 20% of the original cost of a bus or a two-way radio. The amount budgeted may not, over time, exceed 150% of the original cost of a bus or two-way radio. The annual revenue requirement for each district's bus depreciation reserve fund, determined within the limitations of this section, must be reported by the county superintendent to the ~~county commissioners~~ office of public instruction on the fourth Monday of August as the bus depreciation reserve fund ~~levy~~ requirement for that district, and a ~~levy~~ state reimbursement must be made ~~by the county commissioners~~ in accordance with ~~20-9-142~~ this part.

(3) Any expenditure of bus depreciation reserve fund money must be within the limitations of the district's final bus depreciation reserve fund budget and the school financial administration provisions of this title and may be made only to convert, remodel, or rebuild buses, to replace the buses or radios, or for the purchase of an additional bus as provided in subsection (1), for which the bus depreciation reserve fund was created.

(4) Whenever the trustees of a district maintaining a bus depreciation reserve fund sell all of the district's buses and consider it to be in the best interest of the district to transfer any portion or all of the bus depreciation reserve fund balance to any other fund maintained by the district, the trustees shall submit the proposition to the electors of the district. The electors qualified to vote at the election shall qualify under 20-20-301, and the election must be called and conducted in the manner prescribed by this title for school elections. If a majority of those electors voting at the election approve the proposed transfer from the bus depreciation reserve fund, the transfer is approved and the trustees shall immediately order the county treasurer to make the approved transfer."

Section 44. Section 69-11-202, MCA, is amended to read:

"69-11-202. Establishment and notice of schedule for passenger carriers. A common carrier of passengers by railroad or by vessel plying upon waters lying wholly within this state shall establish and give public notice of a schedule time for the starting of trains or vessels from their stations or wharves. A common carrier shall, except in case of accident or detention caused by connecting lines or weather conditions, start trains or vessels at or within 10 minutes after the schedule time. Failure to comply is punishable by a fine of \$250, to be recovered by action before any court of competent jurisdiction, upon complaint filed by the county attorney, and

1 paid into the elementary ~~county~~ equalization fund provided for in 20-9-331."

2
3 **Section 45.** Section 90-6-309, MCA, is amended to read:

4 **"90-6-309. Tax prepayment -- large-scale mineral development.** (1) After permission to commence
5 operation is granted by the appropriate governmental agency, and upon request of the governing body of a
6 county in which a facility is to be located, a person intending to construct or locate a large-scale mineral
7 development in this state shall prepay property taxes as specified in the impact plan. This prepayment shall
8 exclude the 6-mill university levy established under 20-25-423 and may exclude the mandatory ~~county~~ levies for
9 ~~the school~~ BASE elementary and high school equalization funding program established in 20-9-331 and 20-9-333.

10 (2) The person who is to prepay under this section is not obligated to prepay the entire amount
11 established in subsection (1) at one time. Upon request of the governing body of an affected local government
12 unit, the person shall prepay the amount shown to be needed from time to time as determined by the board.

13 (3) The person who is to prepay shall guarantee to the hard-rock mining impact board, through an
14 appropriate financial institution, as may be required by the board, that property tax prepayments will be paid as
15 needed for expenditures created by the impacts of the large-scale mineral development.

16 (4) When the mineral development facilities are completed and assessed by the department of revenue,
17 they are subject during the first 3 years and thereafter to taxation as all other property similarly situated, except
18 that in each year after the start of production, the local government unit that received a property tax prepayment
19 shall provide for repayment of prepaid property taxes in accordance with subsection (5).

20 (5) A local government unit that received all or a portion of the property tax prepayment under this
21 section shall provide for tax crediting as specified in the impact plan. The tax credit allowed in any year may not,
22 however, exceed the tax obligation of the developer for that year, and the time period for tax crediting is limited
23 to the productive life of the mining operation."

24
25 **Section 46.** Section 90-6-403, MCA, is amended to read:

26 **"90-6-403. Jurisdictional revenue disparity -- conditioned exemption and reallocation of certain**
27 **taxable valuation.** (1) When an impact plan for a large-scale mineral development approved pursuant to
28 90-6-307 identifies a jurisdictional revenue disparity, the board shall promptly notify the developer, all affected
29 local government units, and the department of revenue of the disparity. Except as provided in 90-6-404 and this
30 section, the increase in taxable valuation of the mineral development that occurs after the issuance and validation

1 of a permit under 82-4-335 is not subject to the usual application of county and school district property tax mill
2 levies. This increase in taxable valuation must be allocated to local government units as provided in 90-6-404.
3 The increase in taxable valuation allocated as provided in 90-6-404 is subject to 15-10-420 and the application
4 of property tax mill levies in the local government unit to which it is allocated. The increase in taxable valuation
5 allocated to the local government unit is considered newly taxable property in the recipient local government unit
6 as provided in 15-10-420.

7 (2) Subject to 15-10-420, the total taxable valuation of a large-scale mineral development remains
8 subject to the statewide mill levies and ~~basic-county~~ levies for elementary and high school ~~BASE~~ equalization
9 funding programs as provided in 20-9-331 and 20-9-333.

10 (3) The provisions of subsection (1) remain in effect until the large-scale mineral development ceases
11 operations or until the existence of the jurisdictional revenue disparity ceases, as determined by the board."
12

13 NEW SECTION. **Section 47. Repealer.** Sections 20-9-368, 20-9-630, and 20-10-146, MCA, are
14 repealed.

15 - END -